Los Angeles Community College District

Report on Audited Basic Financial Statements

June 30, 2011

LOS ANGELES COMMUNITY COLLEGE DISTRICT

June 30, 2011

Los Angeles County, California:

- East Los Angeles College
- Los Angeles City College
- Los Angeles Harbor College
- Los Angeles Mission College
- Pierce College
- Los Angeles Southwest College
- Los Angeles Trade-Technical College
- Los Angeles Valley College
- West Los Angeles College

THIS PAGE LEFT INTENTIONALLY BLANK

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Table of Contents

INTRODUCTION

THIS PAGE LEFT INTENTIONALLY BLANK

LOS ANGELES COMMUNITY COLLEGE DISTRICT
EAST • CITY • HARBOR • MISSION • PIERCE • SOUTHWEST • TRADE-TECHNICAL • VALLEY • WEST
OFFICE OF THE CHANCELLOR

March 15, 2012

Members, Board of Trustees
Los Angeles Community College District

Ladies and Gentlemen:

I have received and reviewed and am pleased to submit the Annual Financial Report of the Los Angeles Community College District (District) for the fiscal year ended June 30, 2011. This report is presented in six sections, which include an Introduction, the Management's Discussion and Analysis, the Independent Auditors' Report, the Basic Financial Statements, the Supplemental Financial Information, and Other Supplemental Information as noted in the table of contents. The report also includes all Funds of the Los Angeles Community College District as well as those of student organizations.

The introductory section contains my remarks to the Annual Financial Report and a brief summary of the District's employment and enrollment. The Independent Auditors' Report provides the auditor's opinion on the audit. The Management's Discussion and Analysis provides the management information and analysis on the district's financial changes and condition for the year. The basic financial statements include the three financial statements, as well as the notes to the basic financial statements. Supplementary information includes the combining and individual funds and account group financial statements and schedules, a description of the organization of the District, a schedule of full-time equivalent students and apprenticeship clock hours and a reconciliation of the financial statements to the Annual Financial and Budget report submitted to the State of California. Also included in this section are the independent auditors' reports on the internal accounting and administrative controls of the District as well as the State and Federal compliance required by the California State Department of Finance and the Single Audit Act of 1984. The final section provides the current year's audit findings and recommendations as well as the implementation status of the auditor's prior year recommendations.

The District is responsible for the accuracy, completeness and fairness of the financial statements, including all disclosures. We believe that the data presented are accurate in all material respects and present fairly the financial activities of the District's various Funds, and that the informative disclosures are sufficient to provide an understanding of the District's fiscal affairs. The auditors' opinion included in the annual report reflects our belief.

770 WILSHIRE BOULEVARD, LOS ANGELES, CALIFORNIA 90017-3896 • (213) 891-2201 • FAX (213) 891-2304

The District and its nine campuses provide a broad range of educational services to students within the Los Angeles area. The nine Los Angeles community colleges comprise one of the nation's largest community college systems – the result of a movement which had its beginning in the California State Legislature in 1907, the year the Caminetti Bill was passed, permitting high schools to offer postgraduate courses. The Ballard Act of 1917 and the Deering Act of 1929 assured financial support for the State's community colleges.

In March 1931, a separate Los Angeles Junior College District was created and granted a taxing power of its own and was designed to serve a larger area than the city. The Board of Education and the Superintendent of Los Angeles County Schools assumed administrative control of the District. Due to the dramatic expansion during the postwar period, the state's two-year junior colleges were moved away from the secondary education system and into higher education. In 1967, Governor Reagan authorized establishment of a Board of Governors for the California Community Colleges. In that same year, legislation passed which provided for a separate community college Board of Trustees and administration. The first Trustees of the Los Angeles Community College District were sworn into office on July 1, 1969.

The Los Angeles Community College District serves approximately 140,554 students, employs approximately 3,627 full-time and 7,180 part-time personnel and covers a service area of more than 800 square miles.

Enrollment

The Los Angeles Community College District's enrollment for the fiscal year ended June 30, 2011 increased by 1.3% from the previous year. The enrollment figures (credit student headcounts) by campus for the 2010-11 fiscal years were as follows:

	Fall	**Spring**
East Los Angeles College	26,742	27,736
Los Angeles City College	17,807	17,989
Los Angeles Harbor College	10,511	10,192
Los Angeles Mission College	11,106	10,429
Pierce College	21,230	20,712
Los Angeles Southwest College	7,291	6,893
Los Angeles Trade-Technical College	15,037	14,924
Los Angeles Valley College	19,888	18,415
West Los Angeles College	11,140	11,406
Instructional Television	834	825
Total districtwide	141,586	139,521

The Los Angeles Community College District's FTES (Full time equivalent student) figures for the fiscal year ended June 30, 2011 the measure by which the State of California funds Community Colleges, increased by 1.1% from the previous year as follows:

	Credit	**Noncredit**
East Los Angeles College	22,426	1,635
Los Angeles City College	13,239	1,686
Los Angeles Harbor College	7,774	80
Los Angeles Mission College	6,661	339
Pierce College	14,957	289
Los Angeles Southwest College	4,877	454
Los Angeles Trade-Technical College	12,499	512
Los Angeles Valley College	12,975	631
West Los Angeles College	7,366	308
Instructional Television	642	0
Total districtwide	103,416	5,934

Your attention is directed to the Independent Auditors' Report, the Management's Discussion and Analysis, and the Basic Financial Statement sections which represent the complete representation of the district's financial information.

Sincerely,

Daniel LaVista, Ph.D.
Chancellor

THIS PAGE LEFT INTENTIONALLY BLANK

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Honorable Board of Trustees
Los Angeles Community College District:

We have audited the accompanying basic financial statements of the Los Angeles Community College District (the District) as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Los Angeles Community College District as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 3 through 14 and schedule of other postemployment benefits funding progress and employer contribution on page 42 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. The management's discussion and analysis does not include 2010 information that U.S. generally accepted accounting principles require to supplement, although not required to be a part of, the basic financial statements. We have applied certain limited procedures to the 2011 information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial information and other supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplemental financial information on pages 43 through 56 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information on pages 57 through 69 has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

March 15, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

THIS PAGE LEFT INTENTIONALLY BLANK

This section presents Management's Discussion and Analysis (MD&A) of the Los Angeles Community College District's (the District) financial activities during the fiscal year ended June 30, 2011. The MD&A has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities as of June 30, 2011 by $757.9 million (net assets). Of this amount, $65.1 million (unrestricted net assets) may be used to meet the District's ongoing obligations and $123.1 million (restricted net assets) may be used for the District's ongoing obligations related to programs with external restrictions. The remaining component of the District's net assets represents $569.7 million of amounts invested in capital assets, net of related debt.
- The District's total net assets increased $117.1 million during the fiscal year ended June 30, 2011. A significant portion of the increase in the District's net assets was a result of increases in state apportionments, investment income, federal subsidies from Build American Bonds, and local tax for General Obligation (G.O.) Bonds during the fiscal year ended June 30, 2011.
- The District's investment in capital assets (net of depreciation) increased by $515.3 million or 18.7% during the year ended June 30, 2011. Capital construction projects related primarily to the Proposition A, Proposition AA, and Measure J Bonds accounted for $2,842.7 million in capital assets (net of depreciation) at June 30, 2011. During fiscal year 2011, the District acquired one property valued at $5.0 million for Los Angeles City College and acquired two properties valued at $12.9 million for Los Angeles Trade-Technical College, and added $4.1 million to capital assets related to an access road connecting West Los Angeles College to the main street.
- The District's noncurrent liabilities increased by $882.8 million or 31.64% during the fiscal year ended June 30, 2011. The increase is primarily due to a net $883.6 million increase in the long-term portion of the G.O. Bonds (net of $300.0 million paid bond anticipation notes), a $1.0 million decrease in capital lease obligations, a $7.1 million increase in net other post employment benefits (OPEB) obligation, and a $6.9 million decrease in accrued vacation benefits, general liability, and workers' compensation.

Overview of the Basic Financial Statements

The District follows the financial reporting guidelines established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements require the District to report its basic financial statements at an entity wide level under the business-type activity reporting model. This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include four components: (1) balance sheet; (2) statement of revenues, expenses, and changes in net assets; (3) statement of cash flows; and (4) notes to basic financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The balance sheet represents the District's entire combined assets, liabilities, and net assets, including Associated Student Organization's financial information. Changes in total net assets as presented on the balance sheet are based on the activities presented in the statement of revenues, expenses, and changes in net assets. The statement of revenues, expenses, and changes in net assets represents the revenues received, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District. The statement of cash flows presents detailed information about the cash activities of the District during the year. The purpose of these basic financial statements is to summarize the financial information of the District, as a whole, and to present a long-term view of the District's finances.

Balance Sheet

The balance sheet presents the assets, liabilities, and net assets of the District as of the end of the fiscal year. The balance sheet is a point-in-time financial statement. The purpose of the balance sheet is to present to the readers of the basic financial statements a fiscal snapshot of the District. The balance sheet presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). From the data presented, readers of the balance sheet are able to determine the assets available to continue the operations of the institution. Readers are also able to determine how much the institution owes vendors, investors, and lending institutions.

Finally, the balance sheet provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution. Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the institution's equity in property, plant, and equipment owned by the institution. The second net asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final net asset category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets as presented on the balance sheet are based on the activities presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues received by the District, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the District.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

(Continued)

Financial Analysis of the District as a Whole

As of June 30, 2011, the District's net assets have increased by $117.1 million or 18.3% from $640.9 million at June 30, 2010 to $757.9 million at June 30, 2011. Current and other assets increased by $554.0 million and capital assets increased by $515.3 million. Current liabilities increased by $69.5 million and noncurrent liabilities increased by $882.8 million.

Summary Schedule of Net Assets

June 30, 2011 and 2010

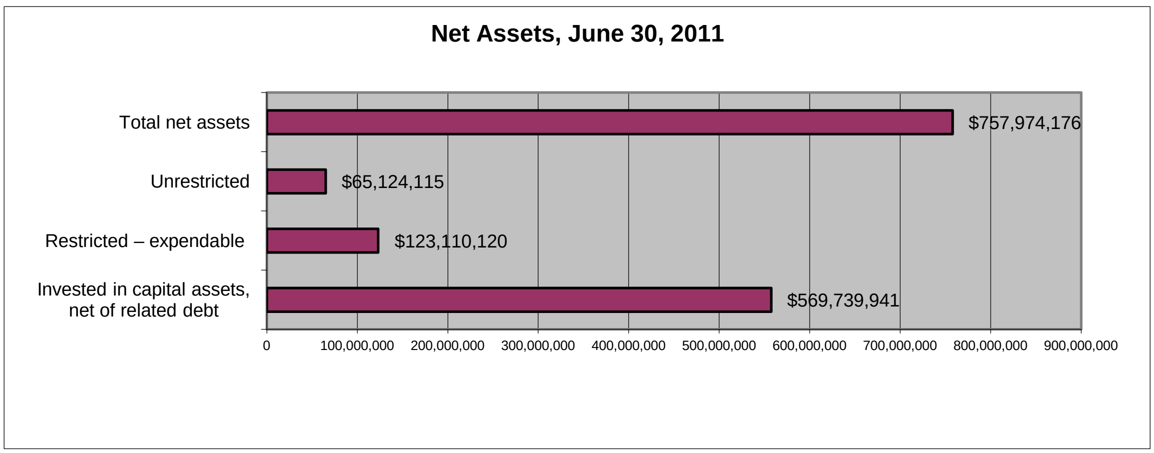
	2011	2010	Increase (decrease)
Assets:			
Current and other assets	$ 1,492,403,201	938,191,440	554,211,761
Capital assets, net	3,263,330,199	2,748,062,081	515,268,118
Total assets	4,755,733,400	3,686,253,521	1,069,479,879
Liabilities:			
Current liabilities	325,213,898	255,673,625	69,540,273
Noncurrent liabilities	3,672,545,326	2,789,719,855	882,825,471
Total liabilities	3,997,759,224	3,045,393,480	952,365,744
Net assets:			
Invested in capital assets, net of debt	569,739,941	473,282,091	96,457,850
Restricted – expendable	123,110,120	94,379,053	28,731,067
Unrestricted	65,124,115	73,198,897	(8,074,782)
Total net assets	$ 757,974,176	640,860,041	117,114,135

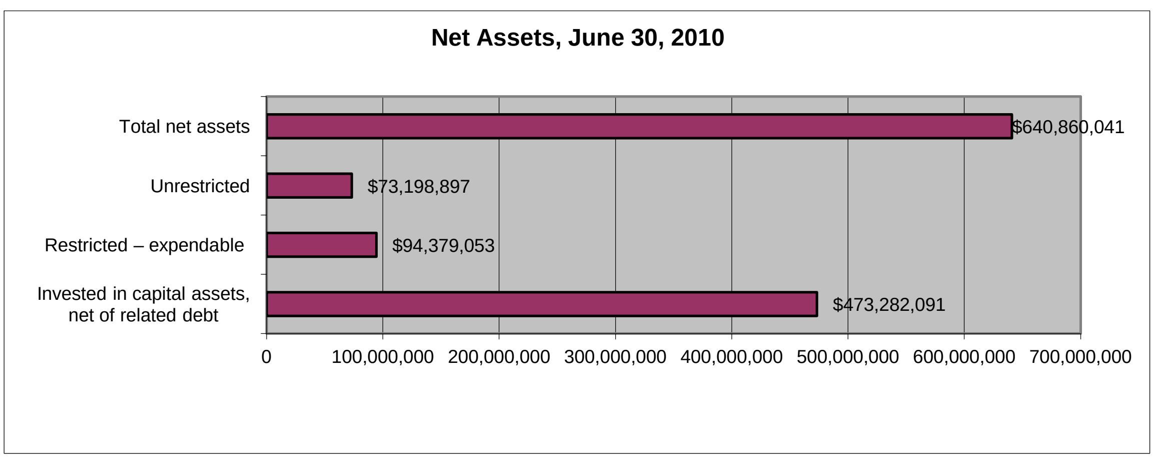
In fiscal year 2011, the District added $537.9 million of capital assets, capitalized interest of $67.0 million, depreciated $81.1 million of capital assets, and canceled $8.5 million of capital projects.

The $554.0 million increase in current and other assets is primarily due to $1,200.0 million new G.O. Bond issuance, $22.5 million of interest income and collected receivables, $5.3 million increase in Local Tax for G.O. Bonds receivable, $13.5 million increase in principal apportionment receivable, $62.7 million increase in deposit with trustee to pay down G.O. Bonds, $7.3 million increase in bond issuance costs, net, $11.0 million decrease in State funded capital outlay projects, $1.0 million decrease in prepaid expenses and inventory, $451.1 million payment of construction-related expenditures, and the payment of $300.0 million of bond anticipation notes.

The $69.5 million increase in current liabilities is primarily due to a $36.7 million increase in accounts payable of which $29.2 million was a result of increased construction-related payables, the $0.2 million increase in deferred revenue, the $31.8 million increase in accrued liabilities primarily related to accrued interest, and the $0.6 million increase in the current portion of long-term debt.

The $882.8 million increase in noncurrent liabilities is primarily due to a net $883.6 million increase in the long-term portion of the G.O. Bonds (net of $300.0 million paid BANs), a $1.0 million decrease in capital lease obligations, a $7.1 million increase in net other postemployment benefits (OPEB) obligation, and a $6.9 million decrease in accrued vacation benefits, general liability, and workers' compensation. There was a $1,200.0 million new G.O. Bond issuance during fiscal year 2011. The District maintains all bond proceeds in the County of Los Angeles Treasury cash and investment pool. The majority of the District's long-term debt is used to fund the construction and acquisition of capital assets.





As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. The assets of the District exceeded its liabilities as of June 30, 2011 by $757.9 million (net assets). A significant portion of the District's net assets represents $967.2 million of restricted cash, cash equivalents, and investments for capital projects, $79.0 million of cash with trustee – noncurrent, $3,263.3 million of capital assets, and $3,640.7 million debt of G.O. Bonds.

Summary Schedule of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

	2011	2010	Change
Revenues:			
Operating revenues:			
Net tuition and fees	$ 46,954,787	47,940,847	(986,060)
Grants and contracts, noncapital	115,634,357	102,232,158	13,402,199
Other	26,687,029	27,150,648	(463,619)
Nonoperating revenues:			
State apportionments, noncapital	356,946,497	344,942,743	12,003,754
Property taxes	146,176,621	151,532,959	(5,356,338)
Investment income	22,782,544	14,872,325	7,910,219
Federal financial aid grants, noncapital	184,049,355	142,014,751	42,034,604
State financial aid grants, noncapital	7,077,840	6,398,511	679,329
Other	7,810,378	5,036,215	2,774,163
Other revenues:			
State apportionments, capital	37,615,351	24,842,128	12,773,223
Federal subsidy	21,659,531	—	21,659,531
Local tax for G.O. Bonds	229,419,760	135,681,664	93,738,096
Local property taxes and revenues, capital	980,543	554,624	425,919
Total revenues	1,203,794,593	1,003,199,573	200,595,020
Expenses:			
Operating expenses:			
Salaries	395,001,621	389,422,306	5,579,315
Employee benefits	134,652,551	150,540,301	(15,887,750)
Supplies, materials, and other operating expenses and services	330,426,859	335,895,366	(5,468,507)
Other	92,734,756	80,931,502	11,803,254
Total operating expenses	952,815,787	956,789,475	(3,973,688)
Nonoperating expenses:			
Interest expense	132,204,881	84,683,207	47,521,674
Other	1,659,790	3,474,541	(1,814,751)
Other expenses:			
Loss on sale of fixed assets	—	4,748,984	(4,748,984)
Total expenses	1,086,680,458	1,049,696,207	36,984,251
Change in net assets	$ 117,114,135	(46,496,634)	163,610,769

(Continued)

The summary of revenues, expenses, and changes in net assets reflects an increase of $117.1 million in the net assets at the end of the year as explained below.

Operating revenue for tuition and fees, grants, and contracts – noncapital resulted in a net increase of $12.0 million, which includes a $1.0 million decrease in net tuition and fees due to increase in scholarship discounts and allowances, a $12.6 million increase in federal-funded programs primarily due to increase in Direct Loan and Workforce Investment Act grant revenues, a $0.8 million increase in state-funded categorical programs primarily due to the child development program, and a $0.5 million decrease in auxiliary enterprise sales and charges.

Nonoperating revenues increased $60.0 million and other revenue increased $128.6 million. The net increase is due in part to the following:

(1) State apportionment is made up of state general revenue less local property tax and 98% of the enrollment fees. The $12.0 million increase in state apportionments is primarily from the $11.8 million (or 2.21%) of District's state-funded growth revenue.

(2) $7.9 million increase in investment income is primarily due to earnings on unspent bond proceeds from the $1,200.0 million new G.O. Bond issuance and net of the payment of the $300 million BAN.

(3) $42.0 million increase in federal financial aid grants, noncapital is primarily due to increased recipients of Pell grants and increased annual award amounts per student.

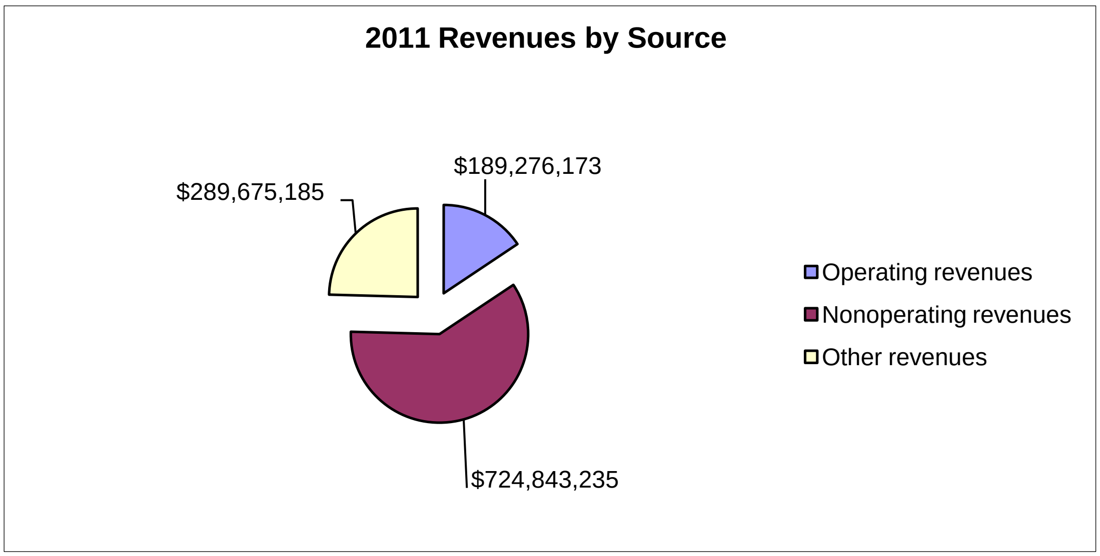
(4) $0.7 million increase in state and financial aid grants, noncapital is due to increases in Cal grants awarded to students.

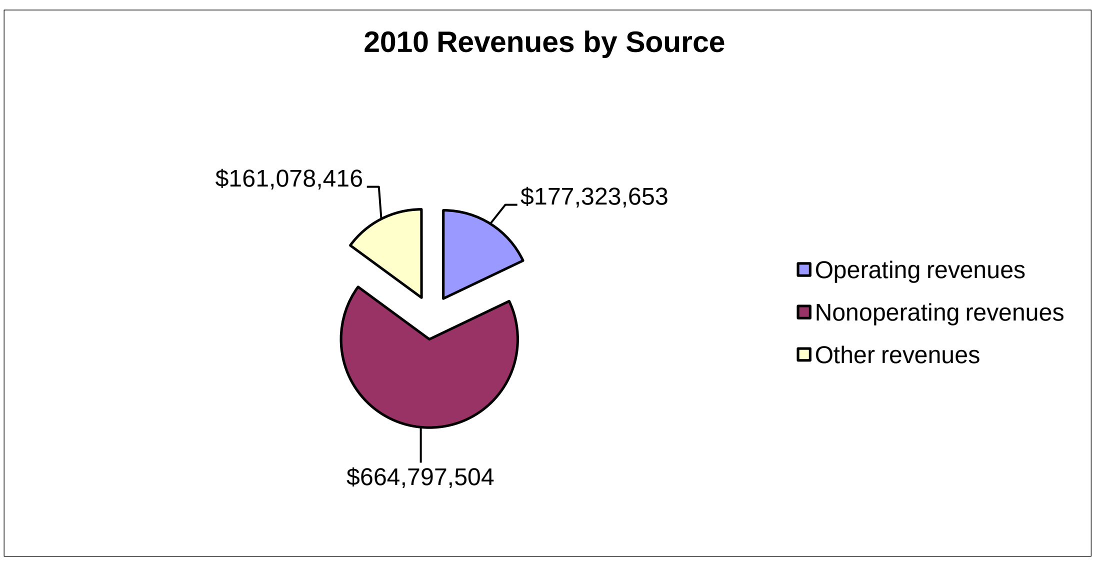
(5) $2.8 million increase in other nonoperating revenue is primarily due to the $0.9 million decrease in Medicare drug subsidy received, $1.1 million increase in So Cal Transportation and Logistic income, $1.9 million increase in mandated cost income, and $0.4 million of revenue bond payable paid by County of Los Angeles from debt service fund.

(6) $12.8 million increase in state apportionment, capital is primarily related to increased spending of state-funded capital outlay projects.

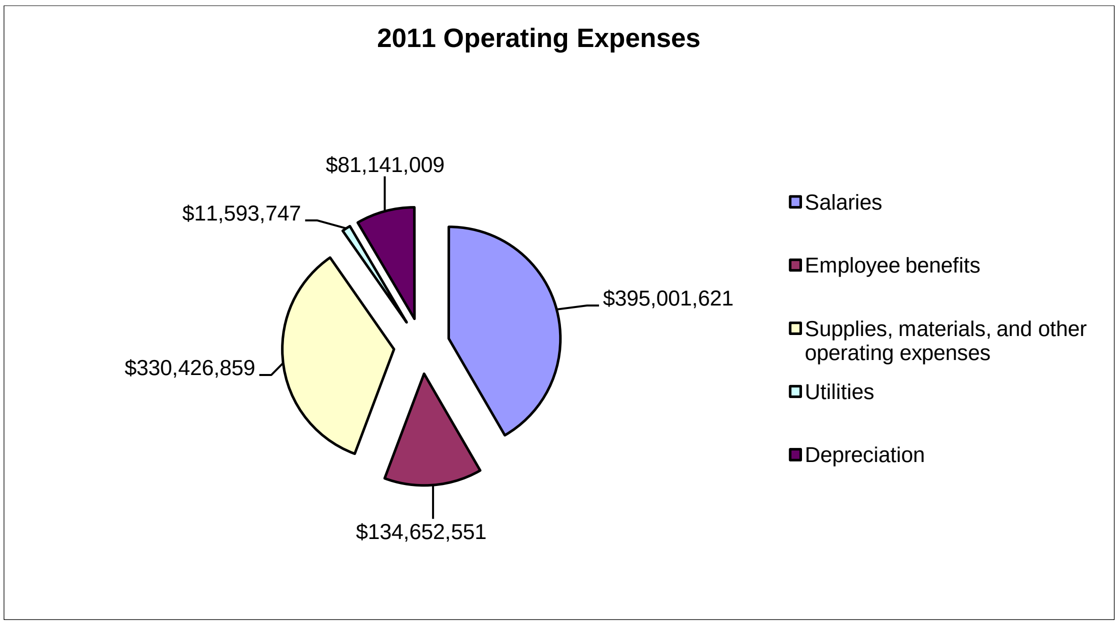
(7) $93.7 million increase in Local Tax for G.O. Bonds is primarily to fund principal and interest payments and taxes associated with G.O. Bonds held at the County of Los Angeles.

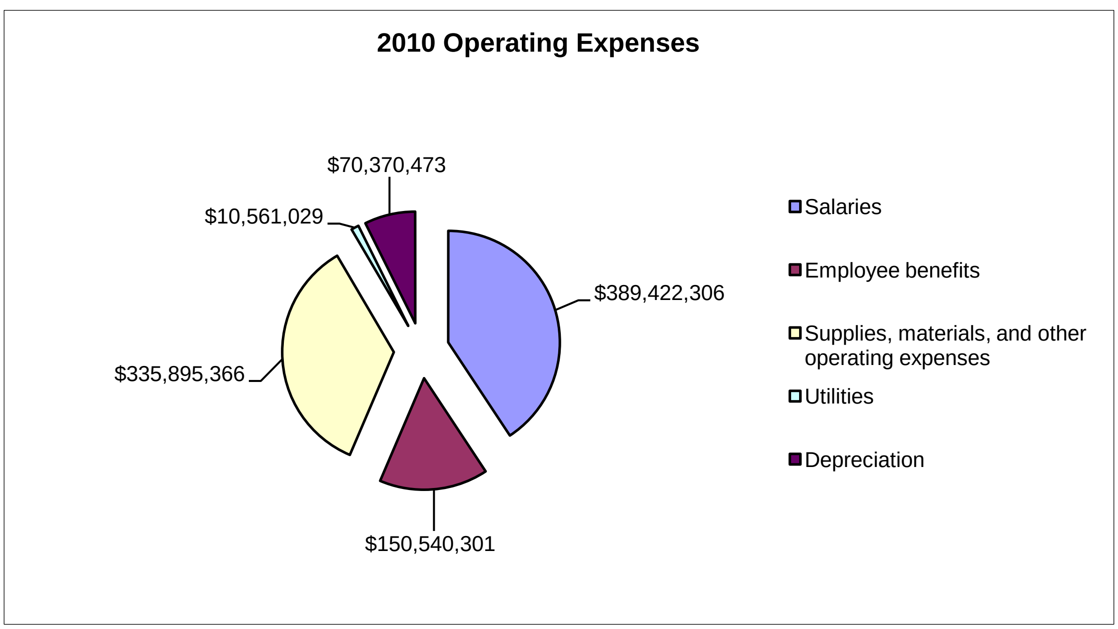
(8) $21.7 million increase in federal subsidy related to Build America Bonds.





Operating expenses decreased $4.0 million, primarily due to a $5.6 million increase in salaries due to step and column increases; $15.9 million decrease in employee benefits, which is primarily attributable to the $4.7 million continuing savings for switching to CalPERS Health Insurance and $9.7 million reduction in workers' compensation liability resulting from positive trends in claims history, $5.5 million decrease in supplies, material, and other operating expenses and services, and $10.8 million increase in depreciation expense.





Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2011 and 2010 totaled $3,251.3 million and $2,748.1 million, respectively (net of accumulated depreciation). This investment comprises a broad range of capital assets including land, buildings, construction in progress, works of art, infrastructure and land improvement, and furniture and equipment. The following schedules summarize the District's capital assets as of June 30, 2011 and 2010:

Capital Assets, Net

	Balance at June 30	
	2011	**2010**
Land	$ 185,450,616	168,871,047
Land improvements	342,997,956	311,015,970
Buildings	2,256,180,747	1,710,456,039
Construction in progress	806,463,269	832,901,357
Works of art	518,000	518,000
Furniture, fixtures, and equipment	114,396,958	86,451,006
Infrastructure	4,214,474	3,599,474
Total	3,710,222,020	3,113,812,893
Less accumulated depreciation	(446,891,821)	(365,750,812)
Net capital assets	$ 3,263,330,199	2,748,062,081

In fiscal year 2011, the District added $537.9 million of capital assets, capitalized interest of $67.0 million, depreciated $81.1 million of capital assets, and canceled $8.5 million of capital projects. During the year ended June 30, 2011, the District's investments in facility master plans, construction, and building improvements increased due to funding from Proposition A, Proposition AA, and Measure J Bonds. The District had a significant number of building projects ongoing funded from Proposition A, Proposition AA, and Measure J Bond money.

In April 2001, the District became the first community college district in the state to pass a property tax financed bond, Proposition A, under the new requirements of the Strict Accountability in Local School Construction Act of 2000. Valued at $1.245 billion, the District's Proposition A Bond Construction Program stands as one of the largest community college bonds ever passed in California. The bond measure was designed to implement a capital improvement program for each of the nine colleges within the District.

In May 2003, the voters passed another G.O. Bond, Proposition AA, for $980 million. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District and refinance other outstanding debts of the District and colleges. The District is in a major capital construction program that will continue for the next several years.

(Continued)

In November 2008, the voters passed another G.O. Bond, Measure J, for $3.5 billion. The bond measure was designed to finance additional construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

The District is in the tenth year of the Proposition A, the eighth year of Proposition AA, and the third year of Measure J Bond construction program. Approximately $3.2 billion has been spent to date for Proposition A, Proposition AA, and Measure J Bonds combined for several capital projects at all nine colleges and to refinance outstanding debt (Certificates of Participation Notes) at both the District and colleges. The District anticipates completion of these capital projects by the year 2017. The District has issued to date all of authorized amounts of Proposition A and Proposition AA Bonds, and $1,625.0 million of the Measure J authorization.

Long-Term Debt

At June 30, 2011 and 2010, the District had $3,536.7 million and $2,665.9 million in long-term debt, respectively. The District's long-term debt increased during the year ended June 30, 2011 as a result of the $28.8 million debt services payments to matured G.O. Bonds, $0.4 million for the energy revenue bonds payment, $300.0 million for the BAN payment, and $1,200.0 million new G.O. Bond issuance.

Summary of Outstanding Long-Term Debt

June 30, 2011 and 2010

	2011	2010
Revenue Bonds:		
Energy and Water Efficiency Revenue Bonds – Phase IV	$ —	285,000
Energy and Water Efficiency Revenue Bonds – Phase V	—	121,653
G.O. Bonds:		
G.O. Bonds Proposition A, 2001 Series	$ 10,590,000	19,835,000
G.O. Bonds Proposition AA, 2003 Series	71,760,000	74,435,000
G.O. Bonds Proposition A and AA, 2004 Series	92,695,000	95,645,000
G.O. Bonds Proposition A, 2005 Series	431,075,000	431,720,000
G.O. Bonds Proposition AA, 2006 Series	292,480,000	300,625,000
G.O. Bonds Proposition A, 2007 Series	382,830,000	382,990,000
G.O. Bonds Proposition A and AA, 2008 Series	630,315,000	635,265,000
G.O. Bonds Measure J, 2009 Series	425,000,000	425,000,000
G.O. Bonds Measure J, 2010 Series	1,200,000,000	—
BAN	—	300,000,000
	$ 3,536,745,000	2,665,921,653

The District's debt rating from Moody's and Standard and Poor's was Aa1 and AA in fiscal year 2010 and Aa1 and AA in fiscal year 2011, respectively.

Further information regarding the District's capital assets and long-term debt can be found in notes 6, 10, and 12 in the accompanying notes to the basic financial statements.

Economic Factors

State Economy

On June 28, 2011, using the authority provided by the voters through Proposition 25, the Legislature passed the 2011-12 Budget Act (SB87) with a simple majority vote and the Governor signed into law the $86 billion state budget. The state-enacted budget closed the $26.6 billion gap through major program reductions and an assumption of major revenue gains:

- $11 billion in expenditure reductions
- $11.8 billion in baseline revenue adjustments
- $2.9 billion in borrowing, shifts, and fund transfers
- $1 billion in new revenue changes
- $0.5 billion in local realignment revenue impacts

For Community Colleges, the budget included the following major budget items:

- $400 million cut to base apportionments
- No cost-of-living adjustments (COLA)
- Student fee increase from $26 per unit to $36 per unit to generate an additional $110 million in increased student fee revenue. This revenue mitigates the base cut for a net apportionment reduction of $290 million
- $129 million in additional deferrals, bringing the total deferrals for California community colleges to $961 million (about 17% of the budget)

The net reduction, which amounted to a 6.21% revenue cut or $290 million to California community colleges, will allocated as a workload reduction and with the Legislature expressing intent that community college districts will prioritize courses relating to transfer, career technical education, and basic skills.

The state-enacted budget assumes an additional $4 billion in revenue to help close the gap. If the revenues do not match assumptions, the budget includes a control section giving the Director of Finance authority to reduce appropriations as specified below upon a finding by December 15th that revenues are not keeping pace with budget assumptions.

- *Tier 0* – There will be no midyear cuts if at least $3 billion of the $4 billion of the higher revenues materialize.
- *Tier 1* – If only $2 billion to $3 billion of the revenues materialize, up to $601 million in midyear cuts could be enacted. These actions would include an additional $100 million reduction each to the University of California (UC) and California State University (CSU) and a $30 million General Fund reduction to the California Community Colleges offset by an increase in fees to $46 per unit.

- *Tier 2* – If less than $2 billion of the revenues are realized, over $1.8 billion in cuts could be meted out to K-14. Specifically, K-12 could see the elimination of transportation funding ($248 million) and a reduction of funding equivalent of 7 school days ($1.5 billion). The California Community Colleges could receive a reduction to apportionments of up to $72 million beyond the Tier 1 cuts. These reductions would be proportionate to revenue estimates.

Student Enrollment and State Funding

The student enrollment fee increased from $26 per unit to $36 per unit in 2011-12 effective July 1, 2011. In 2011-12, the state provided no enrollment growth for apportionments for California community colleges. The District has reduced class offerings of about 4% to 5% in academic year 2011-12 to reduce expenditures. The District still maintains about 6,000 to 7,000 unfunded full-time equivalent students in 2011-12. As the state budget crisis continues to persist, a student fee increase to $46 per unit effective Summer 2012 (July 1, 2012) will go into effect if Tier 2 is triggered for a mid-year cut in 2011-12 fiscal year.

The District continues to monitor its current year's budget and strategically develop plans to effectively meet the challenges that will be experienced with the limited funding that is projected to be realized in the 2012-13 fiscal year.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Balance Sheets

June 30, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and cash equivalents (note 3)	$ 118,695,937	108,541,294
Short-term investments (note 3)	47,189	1,047,529
Accounts receivable, net of allowance (note 4)	150,909,486	143,200,509
Student loans receivable, net of allowance – current portion (note 4)	222,527	214,862
Deposit with trustee (note 3)	114,483,559	79,416,966
Inventory	5,625,763	6,144,753
Prepaid expenses and other assets	31,139,742	31,616,165
Total current assets	421,124,203	370,182,078
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	21,833,138	19,574,626
Restricted investments (note 3)	945,407,573	479,626,037
Student loans receivable, net of allowance – noncurrent portion (note 4)	1,700,693	1,513,422
Deposit with trustee, noncurrent (note 3)	78,971,515	51,212,727
Bond issuance costs, net	23,366,079	16,082,550
Capital assets (note 6):		
Land	185,450,616	168,871,047
Land improvements	342,997,956	311,015,970
Buildings	2,256,180,747	1,710,456,039
Construction in progress	806,463,269	832,901,357
Works of art	518,000	518,000
Furniture, fixtures, and equipment	114,396,958	86,451,006
Infrastructure	4,214,474	3,599,474
Accumulated depreciation	(446,891,821)	(365,750,812)
Capital assets, net	3,263,330,199	2,748,062,081
Total assets	$ 4,755,733,400	3,686,253,521

(Continued)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Balance Sheets

June 30, 2011 and 2010

Liabilities and Net Assets	**2011**	**2010**
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 180,593,143	143,856,754
Deferred revenue	5,769,582	5,605,286
Compensated absences (note 10)	7,593,023	7,678,091
General liability (notes 10 and 11)	2,747,219	1,091,718
Workers' compensation (notes 10 and 11)	3,974,688	7,953,361
Accrued interest and other accrued liabilities	85,827,833	53,775,941
Amounts held in trust for others	536,007	534,662
Revenue bonds payable – current (note 10)	—	406,652
Long-term debt – current (note 10)	37,022,985	33,460,200
Capital leases – current (note 10)	1,149,418	1,310,960
Total current liabilities	325,213,898	255,673,625
Noncurrent liabilities:		
Compensated absences (note 10)	8,131,701	7,901,658
General liability (notes 10 and 11)	51,781	2,141,498
Workers' compensation (notes 10 and 11)	27,975,312	32,998,491
Net OPEB obligation (note 8)	31,827,954	24,724,243
Long-term debt, net of current portion (note 10)	3,603,670,817	2,720,018,494
Capital leases, net of current portion (note 10)	887,761	1,935,471
Total noncurrent liabilities	3,672,545,326	2,789,719,855
Total liabilities	3,997,759,224	3,045,393,480
Net assets:		
Invested in capital assets, net of related debt	569,739,941	473,282,091
Restricted for:		
Expendable:		
Scholarships and fiduciary purposes	6,918,425	7,139,108
Capital projects	—	9,172,979
Debt service	100,316,927	63,370,684
Other special purposes	15,874,768	14,696,282
Unrestricted	65,124,115	73,198,897
Total net assets	757,974,176	640,860,041
Total liabilities and net assets	$ 4,755,733,400	3,686,253,521

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2011 and 2010

		2011	2010
Operating revenues:			
Tuition and fees (gross)	$	90,822,681	86,725,813
Less scholarship discounts and allowances		(43,867,894)	(38,784,966)
Net tuition and fees		46,954,787	47,940,847
Grants and contracts, noncapital:			
Federal		67,791,900	55,187,125
State		33,049,562	32,231,111
Local		14,792,895	14,813,922
Auxiliary enterprise sales and charges		26,687,029	27,150,648
Total operating revenues		189,276,173	177,323,653
Operating expenses:			
Salaries		395,001,621	389,422,306
Employee benefits		134,652,551	150,540,301
Supplies, materials, and other operating expenses and services		330,426,859	335,895,366
Utilities		11,593,747	10,561,029
Depreciation		81,141,009	70,370,473
Total operating expenses		952,815,787	956,789,475
Operating loss		(763,539,614)	(779,465,822)
Nonoperating revenues (expenses):			
State apportionments, noncapital		356,946,497	344,942,743
Local property taxes		146,176,621	151,532,959
State taxes and other revenue		1,350,920	1,373,739
Investment income – noncapital		976,448	1,824,135
Investment income – capital		21,806,096	13,048,190
Interest expense on capital asset-related debt		(132,204,881)	(84,683,207)
Federal financial aid grants, noncapital		184,049,355	142,014,751
State financial aid grants, noncapital		7,077,840	6,398,511
Other nonoperating revenue		6,459,458	3,662,476
Other nonoperating expense		(1,659,790)	(3,474,541)
Total nonoperating revenues		590,978,564	576,639,756
Loss before other revenues, expenses, gains, or losses		(172,561,050)	(202,826,066)
State apportionments, capital		37,615,351	24,842,128
Federal subsidy		21,659,531	—
Local tax for G.O. Bonds, capital		229,419,760	135,681,664
Local property taxes, capital		980,543	554,624
Loss on sale of fixed assets		—	(4,748,984)
Increase (decrease) in net assets		117,114,135	(46,496,634)
Net assets:			
Beginning of year		640,860,041	687,356,675
End of year	$	757,974,176	640,860,041

See accompanying notes to basic financial statements.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Tuition and fees	$ 47,946,628	46,664,729
Grants and contracts	114,388,691	102,900,564
Payments to suppliers	(314,986,097)	(371,132,002)
Payments for utilities	(11,593,747)	(10,561,029)
Payments to employees	(393,133,059)	(387,717,653)
Payments for benefits	(134,706,340)	(139,083,393)
Bookstore and cafeteria sales	25,947,901	25,637,871
Net cash used in operating activities	(666,136,023)	(733,290,913)
Cash flows from noncapital financing activities:		
State appropriations	342,030,551	336,995,543
Property taxes	146,176,621	151,532,959
State taxes and other revenues	1,350,920	1,373,739
Federal financial aid grants	184,049,355	142,014,751
State financial aid grants	7,077,840	6,398,511
Other receipts	4,656,312	271,851
Net cash provided by noncapital financing activities	685,341,599	638,587,354
Cash flows from capital and related financing activities:		
Proceeds from capital debt	916,180,250	344,000,000
Capital appropriations, local property taxes, and gifts and grants, capital	49,652,349	68,364,567
Local tax for G.O. Bonds	182,989,576	139,080,611
Purchases of capital assets	(508,643,483)	(696,002,969)
Proceeds from capital assets disposal	—	40,999,321
Principal paid on capital debt and leases	(30,487,961)	(88,812,412)
Interest paid on capital debt and leases	(161,212,586)	(115,138,751)
Bond issuance cost	(8,329,228)	—
Other receipts (payments)	980,000	(130,000)
Net cash provided by (used in) capital and related financing activities	441,128,917	(307,639,633)
Cash flows from investing activities:		
Proceeds from sales and maturity of investments	975,607,969	1,683,158,879
Interest on investments	16,859,858	11,749,793
Purchase of investments	(1,440,389,165)	(1,294,388,086)
Net cash provided by (used in) investing activities	(447,921,338)	400,520,586
Net increase (decrease) in cash and cash equivalents	12,413,155	(1,822,606)
Cash and cash equivalents – beginning of year	128,115,920	129,938,526
Cash and cash equivalents – end of year	$ 140,529,075	128,115,920
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (763,539,614)	(779,465,822)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	81,141,009	70,370,473
Changes in assets and liabilities:		
Receivables, net	1,261,720	2,647,629
Prepaid expenses and other assets	7,992,321	(18,986,290)
Inventory	518,990	2,564,130
Accounts payable	8,460,882	(12,227,720)
Deferred revenue	164,296	(632,347)
Deposits held for others	1,345	2,097
General liability	(434,216)	(3,723,784)
Workers' compensation	(9,001,852)	(229,148)
Compensated absences	144,975	(63,502)
Net OPEB obligation	7,103,711	6,684,318
Accrued and other liabilities	50,410	(230,947)
Net cash used in operating activities	$ (666,136,023)	(733,290,913)
Noncash capital financing activities:		
Equipment acquired through new capital lease obligations	$ 102,057	79,280
Change in capital assets included in accounts payable	29,153,236	(9,360,957)
Refunding of bond anticipation notes through escrow account	300,000,000	—

See accompanying notes to basic financial statements.

(1) Organization and Reporting Entity

The Los Angeles Community College District (the District) is a political subdivision of the State of California (the State) and is located within the County of Los Angeles, California (the County). The District's operations consist principally of providing educational services to the local residents of the District. In conjunction with educational services, the District also provides supporting student services such as the operation of campus bookstores and cafeterias. The District consists of nine community colleges located within the County.

For financial reporting purposes, the District includes all funds that are controlled by or dependent on the District's board of trustees. The District's basic financial statements include the financial activities of the District and the totals of the trust and agency funds, which primarily represent Associated Student Organizations and various scholarships within the District. Associated Student Organizations are recognized agencies of the District and were organized in accordance with provisions of the California Education Code to control the administration of student funds. The financial affairs of the Associated Student Organizations are administered under the direction of the college financial administrators at the respective colleges, with the supervision and guidance of the District's deputy chancellor.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

(b) Financial Reporting

The basic financial statements required by Governmental Accounting Standards Board (GASB) Statement Nos. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, include a balance sheet; a statement of revenues, expenses, and changes in net assets and a statement of cash flows. The District is considered a special-purpose government under the provisions of GASB Statement No. 35. Accordingly, the District has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the District to be reported in a single column. In accordance with the business-type activities reporting model, the District prepares its statements of cash flows using the direct method. The effect of internal activities between funds or groups of funds has been eliminated from these basic financial statements. The District's operating revenue includes tuition, fees, and federal and state revenues. Operating costs include cost of services as well as materials, contracts, personnel, and depreciation.

(c) Net Assets

The District's net assets are classified into the following net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted - Expendable: Net assets subject subject to externally imposed conditions that can be fulfilled by actions of the District or by the passage of time. Net assets may be restricted for such things as capital projects, debt repayment, escrow accounts and/or educational programs.

Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed.

(d) Cash and Cash Equivalents

The District participates in the common investment pool of the County, which is stated at cost that approximates fair value. For purposes of the statements of cash flows, the District considers all cash and a portion of the investments pooled with the County plus any other cash deposits or investments with initial maturities of three months or less to be cash and cash equivalents.

(e) Inventory

Bookstore, cafeteria, and supply inventories are recorded at cost on the first-in, first-out basis and expended on the consumption method.

(f) Properties and Depreciation

Properties are carried at cost or at appraised fair market value at the date received in the case of properties acquired by donation and by termination of leases for tenant improvements, less allowance for accumulated depreciation. Depreciation is computed by use of the straight-line method over the estimated useful lives of the assets.

Current ranges of useful lives for depreciable assets are as follows:

Land improvements	15 years
Buildings	50 years
Building improvements	20 years
Furniture, fixtures, and equipment	3 to 7 years
Vehicles	5 years
Infrastructure	15 years
Leasehold improvements	7 years

The District's capitalization threshold is as follows:

Movable equipment	$	5,000 and above
Land, buildings, and infrastructure		50,000 and above

(g) Accrued Employee Benefits

The District has accounted for vacation leave benefits that have been earned as a liability within the balance sheets. Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

(h) Deferred Revenue

A majority of the deferred revenue balance represents cash collected in advance for tuition and student fees and will be recognized as revenue in the period in which it is earned.

(i) Income Taxes

The District is a political subdivision of the State and is treated as a governmental entity for tax purposes. As such, the District is generally not subject to federal or state income taxes. However, the District remains subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(j) Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues, and expenses in the accompanying basic financial statements. Actual results could differ from those estimates.

(k) Reclassifications

Certain reclassifications have been made to the 2010 financial data to conform to the 2011 presentation. The changes were primarily related to the reclassification of certain capital asset balances and certain net asset balances. There was no impact on the previously reported total net assets of the District.

(3) Cash and Investments

Cash and investments at June 30, 2011 and 2010 consist of the following:

	2011	2010
Cash and cash equivalents in County Treasury	$ 115,113,167	108,817,248
Cash in banks	25,415,908	19,298,672
Total cash and cash equivalents	140,529,075	128,115,920
Investments:		
Investments in County Treasury	942,570,257	474,421,078
Other	2,884,505	6,252,488
Total investments	945,454,762	480,673,566
Deposit with trustee:		
Investments in County Treasury	185,377,974	122,128,313
Other	8,077,100	8,501,380
	193,455,074	130,629,693
Total cash, and investments and deposit with trustee	$ 1,279,438,911	739,419,179

The California Government Code requires California banks and savings and loan associations to collateralize the District's deposits by pledging government securities as collateral. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. At no time during the year did the value of the collateralized property fall below 110% of uninsured deposits.

As provided for by the State of California Education Code, amounts are also deposited by the District in the Los Angeles County Treasurer's Pool (the County Pool) for the purpose of increasing interest earnings through County's investment activities. At June 30, 2011 and 2010, the District's cash and investments consist primarily of deposits and investments in the County Pool. The District reports amounts involuntarily invested in the County Pool as cash and cash equivalents as they function as a demand deposit account for the District and can be withdrawn from the pool without notice or penalty. The District reports amounts involuntarily invested in the County Pool (such as unspent bond proceeds and local property tax collected to pay bond principal and interest) as investments given the potential limitations imposed on withdrawals as well as the weighted average life of the County's Pooled investments. Statutes authorize the County to invest pooled investments in obligations of the U.S. Treasury, federal agencies, municipalities, commercial paper rated A- by Standard & Poor's Corporation or A3 by Moody's Commercial Paper Record, bankers' acceptances, negotiable certificates of deposit, floating rate notes, repurchase agreements, and reverse repurchase agreements.

The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Superintendent of Schools, Chief Administrative Officer, and a non-County representative. Investments held by the County Treasurer are stated at fair value, except for certain nonnegotiable securities that are reported at cost because the effect of valuating the nonnegotiable securities at cost rather than fair market value is immaterial to the District's financial position. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of each participant's position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawals. At June 30, 2011 and 2010, the District had $1,243,061,398 and $705,366,639 invested in the County Pool, respectively.

The County Treasurer manages equity and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding investments to maturity. The County's investment guidelines limit the weighted average maturity of its portfolios to 1.5 years. The weighted average maturity of cash and investments in the Los Angeles Treasurer's Pool was 1.64 years and 1.47 years at June 30, 2011 and 2010, respectively. The County Pool does not maintain a credit rating.

(4) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables at June 30, 2011 and 2010 are summarized as follows:

		2011	2010
Tax delinquencies	$	20,688,288	23,616,043
Federal and state programs		15,028,430	16,239,845
Local tax for G.O. Bonds		21,373,118	16,108,784
State lottery		7,467,200	6,869,199
Interest receivable		2,294,077	1,517,894
Accounts receivable – principal apportionment		78,889,667	65,425,875
Accounts receivable – campus students		2,135,006	2,416,154
Accounts receivable – student loan programs		4,027,749	4,000,285
Bookstore		1,611,914	685,751
State of California – capital outlay		14,979,236	26,035,691
Other		8,512,197	9,249,755
Less allowance for doubtful accounts		(24,174,176)	(27,236,483)
Total, net	$	152,832,706	144,928,793

The allowance for doubtful accounts is maintained at an amount sufficient to reserve the possible uncollectibility of receivable balances. Tax delinquencies represent prior and current year unpaid/unreceived property taxes that were assessed and billed by the County during the 2010-2011 year and prior. The District receives tax revenues from the County biannually in December and April. Any amounts that remain unpaid and not received by the District within the fiscal year are considered delinquent. The County's board of supervisors is the taxing authority that levies and collects tax revenues.

(5) Accounts Payable and Accrued Liabilities

Accounts payable at June 30, 2011 and 2010 are summarized as follows:

	2011	2010
Vendors payable	$ 24,516,447	18,840,984
Capital outlay and program management	134,853,713	105,700,477
Payroll accrual	9,727,511	8,588,211
Grants	7,418,741	9,489,034
Financial aid payable	918,951	124,877
Election expense payable	3,157,780	1,113,171
Total	$ 180,593,143	143,856,754

(6) Capital Assets

A summary of changes in capital assets is as follows:

	2011				
	Balance at July 1, 2010	Additions	Disposals	Transfers	Balance at June 30, 2011
Capital assets not being depreciated:					
Land	$ 168,871,047	16,579,569	—	—	185,450,616
Construction in process	832,901,357	585,790,884	(8,495,898)	(603,733,074)	806,463,269
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	1,002,290,404	602,370,453	(8,495,898)	(603,733,074)	992,431,885
Capital assets being depreciated:					
Land improvements	311,015,970	—	—	31,981,986	342,997,956
Buildings	1,710,456,039	—	—	545,724,708	2,256,180,747
Furniture, fixtures, and equipment	86,451,006	2,534,572	—	25,411,380	114,396,958
Infrastructure	3,599,474	—	—	615,000	4,214,474
Total capital assets being depreciated	2,111,522,489	2,534,572	—	603,733,074	2,717,790,135
Total costs	3,113,812,893	604,905,025	(8,495,898)	—	3,710,222,020
Less accumulated depreciation	(365,750,812)	(81,141,009)	—	—	(446,891,821)
Total	$ 2,748,062,081	523,764,016	(8,495,898)	—	3,263,330,199

(Continued)

	2010				
	Balance at July 1, 2009	**Additions**	**Disposals**	**Transfers**	**Balance at June 30, 2010**
Capital assets not being depreciated:					
Land	$ 137,603,848	31,267,199	—	—	168,871,047
Construction in process	930,706,410	692,845,192	(57,081,367)	(733,568,878)	832,901,357
Works of art	518,000	—	—	—	518,000
Total capital assets not being depreciated	1,068,828,258	724,112,391	(57,081,367)	(733,568,878)	1,002,290,404
Capital assets being depreciated:					
Land improvements	278,246,254	—	—	32,769,716	311,015,970
Buildings	1,039,039,146	65,010	—	671,351,883	1,710,456,039
Furniture, fixtures, and equipment	54,635,398	2,539,622	(171,293)	29,447,279	86,451,006
Infrastructure	3,599,474	—	—	—	3,599,474
Total capital assets being depreciated	1,375,520,272	2,604,632	(171,293)	733,568,878	2,111,522,489
Total costs	2,444,348,530	726,717,023	(57,252,660)	—	3,113,812,893
Less accumulated depreciation	(295,380,339)	(70,370,473)	—	—	(365,750,812)
Total	$ 2,148,968,191	656,346,550	(57,252,660)	—	2,748,062,081

Capitalized Interest

Included in additions to capital assets is $67,006,249 and $39,995,733 of capitalized interest at June 30, 2011 and 2010, respectively.

(7) Lease Commitments

The District leases various assets, as lessee, under operating and capital lease agreements. Lease payments under these leases (including month-to-month leases) approximating $6,984,863 have been charged in the accompanying statements of revenues, expenses, and changes in net assets.

At June 30, 2011, minimum lease commitments under long-term lease contracts were as follows:

Year ending June 30:	
2012	$ 1,274,937
2013	749,540
2014	379,860
2015	38,271
2016	9,368
Total	$ 2,451,976

(8) Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (PERS). In addition, certificated employees not participating in STRS may participate in the Public Agency Retirement Systems (PARS) or elect Social Security. Classified employees not participating in PERS may participate in PARS, which is a defined contribution plan. On September 2, 2003, the District offered to every adjunct faculty member who is not a mandatory STRS Defined Benefit Program member the STRS Cash Balance Plan.

(a) Plan Descriptions and Provisions

State Teachers' Retirement System (STRS) – Full-time certificated employees participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system defined benefit pension plan. An actuarial valuation by employer is not available. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Employees attaining the age of 60 with 5 years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2% of their final compensation for each year of service. Final compensation is defined as the highest average salary earned during 3 consecutive years of service or 1 year highest salary if employee has 25 or more years of service credit or if part of collective bargaining agreement. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90% of final compensation are available to members with 5 years of service. A family benefit is available if the deceased member had at least 1 year of service and was an active member or on disability leave. After 5 years of credited service, members become 100% vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable.

Benefit provisions for STRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, Section 22000 et seq.). STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the STRS Executive Office.

California Public Employees' Retirement System (PERS) – Full-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a cost-sharing pool within PERS. An actuarial valuation by employer is not available. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to all.

Employees are eligible for retirement at the age of 50 and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63. Retirement compensation is reduced if the plan is coordinated with Social Security.

The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions are refundable with interest through the date of separation.

Benefit provisions for PERS are established by the Public Employees' Retirement Law (Part 3 of the California Government Code, Section 20000 et seq.). PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the annual financial report may be obtained from the PERS Executive Office.

State Teachers' Retirement System (STRS) – Defined Benefit and Cash Balance Benefit Program (Cash Balance) – Part-time certificated employees participate in the STRS, a cost-sharing multiple-employer contributory public employee retirement system cash balance benefit program plan offered by CalSTRS. The cash balance benefit program is available for all employees who are hired to work less than half-time in CalSTRS-eligible employment. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

On September 2, 2003, the District offered the Cash Balance program to its adjunct faculty who are not mandatory CalSTRS Defined Benefit Program members. In addition, adjunct faculty has the option of participating in one of the following three retirement plans: CalSTRS Defined Benefit Program, The Public Agency Retirement System (PARS), or Social Security.

Public Agency Retirement System (PARS) – Alternate Retirement System (PARS-ARS) – The Omnibus Budget Reconciliation Act of 1990 (Section 11332) extends the social security tax to state and local government employees not participating in a qualified public retirement system. Internal Revenue Code 3121(b)(7)(F) proposed regulations allow employers to establish an alternative retirement system in lieu of social security tax. Such an alternative system was authorized on June 26, 1991 to be established by the end of calendar year 1991 for certain employees not participating in STRS or PERS.

On December 4, 1991, the District's board of trustees adopted PARS, a defined contribution plan qualifying under Sections 401(a) and 501 of the Internal Revenue Code, effective January 1, 1992, for the benefit of employees not participating in STRS or PERS who were employed on that date or hired thereafter. The District has appointed Phase 11 Systems, in which Union Bank of California, N.A. serves as the trustee to manage the assets of the PARS plan and serve as the Trust Administrator.

Total contributions to PARS are 7.5%. The employer contribution is 4.0% and the employee contribution is 3.5%. Contributions are vested 100.0% for employees. Employees can receive benefits when they retire at age 60, become disabled, terminate employment, or die.

(b) Contributions Required and Contributions Made

For fiscal year 2010-11, the District is required by statute to contribute 8.250%, 9.709%, 4.250%, and 4.000% gross salary expenditures to STRS, PERS (pooled), Cash Balance, and PARS-ARS, respectively. Participants are required to contribute 8.000%, 7.000%, 3.750%, and 3.500% of gross salary to STRS, PERS, Cash Balance, and PARS-ARS, respectively.

The District's contributions for the years ended June 30, 2011, 2010, and 2009 are as follows:

		Contributions	Percentage of required contributions
STRS:			
2011	$	15,827,894	100%
2010		15,594,117	100
2009		16,837,593	100
PERS:			
2011	$	14,039,142	100%
2010		12,702,976	100
2009		12,216,963	100
Cash balance STRS:			
2011	$	1,388,971	100%
2010		1,248,329	100
2009		1,645,243	100
PARS-ARS:			
2011	$	657,301	100%
2010		554,501	100
2009		577,210	100

The District's employer contributions to STRS, PERS, Cash Balance, and PARS-ARS met the required contribution rate established by law.

(c) Other Postemployment Benefits (OPEB)

The District provides postemployment healthcare benefits for eligible employees who retire with CalPERS or CalSTRS pension benefits immediately upon termination of employment from the District through the Los Angeles Community College District Postretirement Health Benefits Plan (the Plan). The Plan is a single employer OPEB plan, and obligations of the plan members and the District are based on negotiated contracts with the various bargaining units of the District. The District implemented the reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively for the fiscal year ended June 30, 2008.

Plan Description

Retirees receiving a pension from either CalSTRS or CalPERS are eligible for benefits depending on their most recent date of hire and their benefit eligibility service. The District pays a percentage of the eligible retirees' medical, dental, and vision plan premiums as follows:

	Years of service	Premium paid by district
Hire date:		
Before 2/11/1992	3	100%
Between 2/11/1992 and 6/30/1998	7	100
On or after 7/1/1998	10 – 15	50
On or after 7/1/1998	15 – 20	75
On or after 7/1/1998	20 and more	100

The retirement eligibility for CalPERS retirees is a minimum age of 50 and minimum years of service of 5. The retirement eligibility for CalSTRS retirees is a minimum age of 55 and minimum years of service of 5 or a minimum age of 50 with 30 years of service.

Employees subject to the 2001 agreement between the District and the District's Police Officer's Association may be eligible to receive benefits through Los Angeles County Employees Retirement Association (LACERA) that are paid by the District. Such eligible retirees shall receive medical, dental, and vision benefits. The District pays 100% of LACERA's premiums reduced by 4% for each year of service under LACERA up to 25 years. This reduction only applies to employees with more than 10 years of service under LACERA.

Employees that are not eligible for District-paid contribution are still eligible for retiree coverage under California Assembly Bill 528 (AB528). At retirement, such retirees must pay for coverage at a rate based on blended active and retiree costs. As of the latest actuarial study, AB528 retiree contributions are expected to cover all costs; so, no liabilities are calculated.

The retirement health benefit continues for the lifetime of a surviving spouse and for other dependents as long as they are entitled to coverage under pertinent eligibility rules.

Currently, the District has about 4,000 active full-time employees who are eligible for postretirement health benefits and 3,300 retirees and surviving spouses who receive postretirement health benefits.

Actuarial Methods and Assumptions

The actuarial valuations involve the use of estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided and the pattern of cost-sharing between the District and plan members at the time of each valuation. The projection of these benefits is for financial reporting purposes only and does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the District and plan members in the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the entry-age normal cost method with an open 30-year amortization period as a level percent of pay was used as the cost method to calculate for the annual required contribution (ARC). The actuarial assumptions included a 5.88% blended discount rate based on the assumed long-term return on plan assets and employer assets. A 3.25% wage inflation assumption was used as well as an annual medical and dental/vision trend rate of 10.00% and 4.00%, respectively, initially, reduced by decrements to an ultimate rate of 5.00% and 4.00%, respectively, after 10 years.

Funding Policy

The contribution requirements are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. Additionally, the District's board of trustees adopted a resolution dated April 23, 2008 (com No. BF2) to establish an irrevocable trust with CalPERS to prefund a portion of retiree health benefit costs.

The Trust is to be funded with annual contributions by the District of approximately 1.92% of the total full-time salary expenditures in the District. Additionally, the District will direct an amount equivalent to the federal Medicare Part D subsidy returned to the District each year into the trust fund. The District deposited $10,686,434 and $7,379,273 to the irrevocable trust with CalPERS during FY2011 and FY2010, respectively.

Annual OPEB Costs and Net OPEB Obligation

Before the implementation of GASB Statement No. 45, the District's expenses for postretirement health benefits were recognized only when paid. The District's annual OPEB cost (expense) is now calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any Unfunded Actuarial Accrued Liability (UAAL) over a period of 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan for the year ended June 30:

		2011	2010
Annual required contribution	$	40,643,000	39,658,000
Interest on net OPEB obligation		1,454,000	1,061,000
Adjustment to annual required contribution		(1,189,000)	(867,000)
Annual OPEB cost		40,908,000	39,852,000
Contributions made		(33,804,289)	(33,167,682)
Increase in net OPEB obligation		7,103,711	6,684,318
Net OPEB obligation, beginning of year		24,724,243	18,039,925
Net OPEB obligation, end of year	$	31,827,954	24,724,243

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

Fiscal year ended		Annual OPEB costs	Percentage of annual OPEB costs contributed		Net OPEB obligation
June 30, 2011	$	40,908,000	82.63%	$	31,827,954
June 30, 2010		39,852,000	83.23		24,727,243

Funded Status Information

The District's funding status information is as follows:

Actuarial valuation date		Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio		Covered payroll	UAAL as a percentage of covered payroll
July 1, 2009	$	8,925,840	545,041,000	536,115,160	1.64%	$	251,957,000	212.78%
July 1, 2007		—	633,142,000	633,142,000	—		269,607,861	234.84

As of June 30, 2011 and 2010, the District has set aside approximately $30.3 million and $19.6 million, respectively, in an external trust fund. The fair value of the trust fund as of June 30, 2011 and 2010 was approximately $34.2 million and $17.9 million, respectively.

Other Benefits

Effective January 1, 2010, the District provided an annual contribution of $1,500 to benefited active employees and pre-Medicare retirees into a health reimbursement account for the next five years.

(9) Commitments and Contingencies

The District receives a substantial portion of its total revenues under various governmental grants, all of which pay the District based on reimbursable costs as defined by each grant. Reimbursement recorded under these grants is subject to audit by the grantors. Management believes that no material adjustments will result from the subsequent audit of costs reflected in the accompanying basic financial statements.

The District is a defendant in various lawsuits at June 30, 2011. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, based in part on the advice of counsel, the resolution of these matters will not have a material adverse effect on the basic financial condition of the District or is adequately covered by insurance.

The District has entered into various contracts for the construction of facilities throughout the campuses. At June 30, 2011, the total value of these outstanding commitments is $1,180,417,000.

(10) Long-Term Liabilities

The following is a summary of long-term liabilities of the District for the years ended June 30, 2011 and 2010:

	2011				
	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011	Due within one year
G.O. Bonds 2001 Series A	$ 19,835,000	—	(9,245,000)	10,590,000	10,590,000
G.O. Bonds 2003 Series A, B, and C	74,435,000	—	(2,675,000)	71,760,000	2,810,000
G.O. Bonds 2004 Series A and B	95,645,000	—	(2,950,000)	92,695,000	3,070,000
G.O. Bonds 2005 Series A	431,720,000	—	(645,000)	431,075,000	665,000
G.O. Bonds 2006 Series E	300,625,000	—	(8,145,000)	292,480,000	8,430,000
G.O. Bonds 2007 Series A	382,990,000	—	(160,000)	382,830,000	255,000
G.O. Bonds 2008 Series E1 and F1	621,415,000	—	—	621,415,000	920,000
G.O. Bonds 2008 Series E2 and F2	13,850,000	—	(4,950,000)	8,900,000	5,095,000
G.O. Bonds 2009 Series A and B	425,000,000	—	—	425,000,000	—
G.O. Bonds 2010 Series C, D, and E	—	1,200,000,000	—	1,200,000,000	—
Unamortized premiums bond	93,327,668	16,180,250	(5,146,503)	104,361,415	5,187,985
Deferred amount on refunding	(5,363,974)	—	4,951,361	(412,613)	—
Revenue bonds	406,652	—	(406,652)	—	—
Bond anticipation notes	300,000,000	—	(300,000,000)	—	—
Workers' compensation claims	40,951,852	—	(9,001,852)	31,950,000	3,974,688
General liability	3,233,216	2,313,002	(2,747,218)	2,799,000	2,747,219
Compensated absences	15,579,749	9,538,433	(9,393,458)	15,724,724	7,593,023
Capital lease obligations	3,246,431	102,057	(1,311,309)	2,037,179	1,149,418
Total	$ 2,816,896,594	1,228,133,742	(351,825,631)	3,693,204,705	52,487,333

		2010				
		Balance at July 1, 2009	**Additions**	**Deletions**	**Balance at June 30, 2010**	**Due within one year**
G.O. Bonds 2001 Series A	$	27,815,000	—	(7,980,000)	19,835,000	9,245,000
G.O. Bonds 2003 Series A, B, and C		77,040,000	—	(2,605,000)	74,435,000	2,675,000
G.O. Bonds 2004 Series A and B		98,490,000	—	(2,845,000)	95,645,000	2,950,000
G.O. Bonds 2005 Series A		432,345,000	—	(625,000)	431,720,000	645,000
G.O. Bonds 2006 Series E		308,500,000	—	(7,875,000)	300,625,000	8,145,000
G.O. Bonds 2007 Series A		383,000,000	—	(10,000)	382,990,000	160,000
G.O. Bonds 2008 Series E1 and F1		621,415,000	—	—	621,415,000	—
G.O. Bonds 2008 Series E2 and F2		35,000,000	—	(21,150,000)	13,850,000	4,950,000
G.O. Bonds 2009 Series A and B		425,000,000	—	—	425,000,000	—
Unamortized premiums bond		98,017,868	—	(4,690,200)	93,327,668	4,690,200
Deferred amount on refunding		(10,315,336)	—	4,951,362	(5,363,974)	—
Revenue bonds		813,305	—	(406,653)	406,652	406,652
Certificate of participation		—	44,000,000	(44,000,000)	—	—
Bond anticipation notes		—	300,000,000	—	300,000,000	—
Workers' compensation claims		41,181,000	4,630,801	(4,859,949)	40,951,852	7,953,361
General liability		6,957,000	—	(3,723,784)	3,233,216	1,091,718
Compensated absences		15,643,251	9,732,011	(9,795,513)	15,579,749	7,678,091
Capital lease obligations		4,482,911	79,281	(1,315,761)	3,246,431	1,310,960
Total	$	2,565,384,999	358,442,093	(106,930,498)	2,816,896,594	51,900,982

(a) G.O. Bonds

On April 10, 2001, the voters of the County passed Proposition A, a $1.2 billion General Obligation (G.O.) Bond measure.

On June 7, 2001, the District issued the 2001 Series A G.O. Bonds (Proposition A) in the amount of $525,000,000 with an average interest rate of 4.63% maturing in 2012. The proceeds of this first Series of G.O. Bonds are to be used to finance the construction, equipping, and improvement of college and support facilities at nine colleges.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2001 Series A		
		Principal	**Interest**	**Total**
Year ending June 30:				
2012	$	10,590,000	218,419	10,808,419
Total	$	10,590,000	218,419	10,808,419

On May 20, 2003, the voters of the County passed Proposition AA, a $980 million G.O. Bond measure.

On July 29, 2003, the District issued the 2003 Series A, B, and C G.O. Bonds (Proposition AA) in the amount of $189,685,000, with various interest rates ranging from 2% to 5% maturing in 2028. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2003 Series A, B, and C		
		Principal	**Interest**	**Total**
Year(s) ending June 30:				
2012	$	2,810,000	3,469,650	6,279,650
2013		2,950,000	3,325,650	6,275,650
2014		3,100,000	3,195,713	6,295,713
2015		3,210,000	3,059,275	6,269,275
2016		3,370,000	2,894,775	6,264,775
2017 – 2021		19,560,000	11,703,375	31,263,375
2022 – 2026		24,950,000	6,178,562	31,128,562
2027 – 2028		11,810,000	597,750	12,407,750
Total	$	71,760,000	34,424,750	106,184,750

On October 12, 2004, the District issued the 2004 Series A and B G.O. Bonds (Proposition A and Proposition AA) in the amount of $103,900,000 with various interest rates ranging from 3.17% to 6.44%, maturing in 2030. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2004 Series A and B		
		Principal	**Interest**	**Total**
Year(s) ending June 30:				
2012	$	3,070,000	4,774,293	7,844,293
2013		3,200,000	4,640,376	7,840,376
2014		3,340,000	4,495,676	7,835,676
2015		3,490,000	4,340,480	7,830,480
2016		3,650,000	4,173,514	7,823,514
2017 – 2021		21,080,000	17,922,643	39,002,643
2022 – 2026		27,225,000	11,578,304	38,803,304
2027 – 2030		27,640,000	3,221,679	30,861,679
Total	$	92,695,000	55,146,965	147,841,965

On March 22, 2005, the District issued the 2005 Series A G.O. Refunding Bonds (Proposition A) in the amount of $437,450,000 with various interest rates ranging from 3% to 5%, maturing in 2026. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

The net proceeds from the sale of the 2005 Series A G.O. Refunding Bonds in the amount of $437,450,000 plus the original issue premium of $34,870,964 will be applied to advance refunding of the refunded bonds of $456,743,623, to make a deposit into the District's Building Fund of $12,330,000, to make a deposit into the District's Debt Service Fund of $220,000, and to pay the cost of issuance for these bonds in the amount of $3,027,341.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2005 Series A	
	Principal	**Interest**	**Total**
Year(s) ending June 30:			
2012	$ 665,000	21,646,400	22,311,400
2013	12,715,000	21,321,468	34,036,468
2014	14,375,000	20,629,168	35,004,168
2015	16,190,000	19,826,837	36,016,837
2016	18,140,000	18,925,675	37,065,675
2017 – 2021	124,310,000	77,907,250	202,217,250
2022 – 2026	244,680,000	39,293,250	283,973,250
Total	$ 431,075,000	219,550,048	650,625,048

On October 10, 2006, the District issued the 2006 Series E G.O. Bonds (Proposition AA) in the amount of $350,000,000 with various interest rates ranging from 3.4% to 5.0%, maturing in 2032. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2006 Series E	
	Principal	**Interest**	**Total**
Year(s) ending June 30:			
2012	$ 8,430,000	14,040,274	22,470,274
2013	8,750,000	13,700,236	22,450,236
2014	9,115,000	13,302,849	22,417,849
2015	10,895,000	12,885,902	23,780,902
2016	9,940,000	12,450,590	22,390,590
2017 – 2021	57,345,000	54,415,750	111,760,750
2022 – 2026	73,125,000	38,216,875	111,341,875
2027 – 2031	93,325,000	17,509,375	110,834,375
2032	21,555,000	538,875	22,093,875
Total	$ 292,480,000	177,060,726	469,540,726

On October 10, 2007, the District issued the 2007 Series A G.O. Bonds (Proposition A) in the amount of $400,000,000 with various interest rates ranging from 4% to 5%, maturing in 2033. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2007 Series A	
	Principal	**Interest**	**Total**
Year(s) ending June 30:			
2012	$ 255,000	19,085,825	19,340,825
2013	415,000	19,072,425	19,487,425
2014	575,000	19,052,625	19,627,625
2015	705,000	19,025,263	19,730,263
2016	820,000	18,990,950	19,810,950
2017 – 2021	25,915,000	91,885,375	117,800,375
2022 – 2026	12,920,000	86,299,250	99,219,250
2027 – 2031	215,415,000	64,376,625	279,791,625
2032 – 2033	125,810,000	6,367,250	132,177,250
Total	$ 382,830,000	344,155,588	726,985,588

On September 9, 2008, the District issued the 2008 Series E-1 G.O. Bonds (Proposition A) in the amount of $276,500,000 and the 2008 Series F-1 G.O. Bonds (Proposition AA) in the amount of $344,915,000 with various interest rates ranging from 3% to 5%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2008 Series E-1 and F-1		
		Principal	**Interest**	**Total**
Year(s) ending June 30:				
2012	$	920,000	30,060,950	30,980,950
2013		3,870,000	29,989,100	33,859,100
2014		7,720,000	29,815,250	37,535,250
2015		9,490,000	29,545,238	39,035,238
2016		10,795,000	29,229,100	40,024,100
2017 – 2021		76,100,000	137,947,488	214,047,488
2022 – 2026		121,580,000	113,975,750	235,555,750
2027 – 2031		181,980,000	76,372,000	258,352,000
2032 – 2034		208,960,000	17,643,000	226,603,000
Total	$	621,415,000	494,577,876	1,115,992,876

On September 9, 2008, the District issued the 2008 Taxable Series E-2 G.O. Bonds (Proposition A) in the amount of $15,000,000 and the 2008 Taxable Series F-2 G.O. Bonds (Proposition AA) in the amount of $20,000,000 with various interest rates ranging from 3.049% to 4.316%, maturing in 2014. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

		2008 Series E-2 and F-2		
		Principal	**Interest**	**Total**
Year ending June 30:				
2012	$	5,095,000	257,828	5,352,828
2013		3,255,000	91,540	3,346,540
2014		550,000	11,869	561,869
Total	$	8,900,000	361,237	9,261,237

On November 4, 2008, the voters of the County passed Measure J, a $3.5 billion G.O. Bond measure.

On March 19, 2009, the District issued the 2009 Series A G.O. Bonds (Measure J) in the amount of $350,000,000 and the 2009 Taxable Series B G.O. Bonds (Measure J) in the amount of $75,000,000 with various interest rates ranging from 4.50% to 7.53%, maturing in 2034. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

	2009 Series A and B		
	Principal	Interest	Total
Year(s) ending June 30:			
2012	$ —	26,247,663	26,247,663
2013	—	26,247,663	26,247,663
2014	—	26,247,663	26,247,663
2015	—	26,247,663	26,247,663
2016	—	26,247,663	26,247,663
2017 – 2021	—	131,238,313	131,238,313
2022 – 2026	32,645,000	128,440,350	161,085,350
2027 – 2031	153,695,000	102,346,244	256,041,244
2032 – 2034	238,660,000	25,825,800	264,485,800
Total	$ 425,000,000	519,089,022	944,089,022

On July 22, 2010, the District issued $900,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series E Build America Bonds with 6.60% and 6.75% interest rates maturing in 2049. On August 10, 2010, the District issued $175,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Series C with 5.25% interest rate maturing in 2039. On August 10, 2010, the District issued $125,000,000 aggregate principal amount in G.O. Bonds, 2008 Election (Measure J) 2010 Taxable Series D with 6.68% interest rate maturing in 2036. The bond measure was designed to finance construction, building acquisition, equipment, and improvement of college and support facilities at the various campuses of the District.

Debt service requirements to maturity of the G.O. Bonds at June 30, 2011 are as follows:

	2010 Series C, D, and E		
	Principal	Interest	Total
Year(s) ending June 30:			
2012	$ —	77,912,500	77,912,500
2013	—	77,912,500	77,912,500
2014	—	77,912,500	77,912,500
2015	—	77,912,500	77,912,500
2016	—	77,912,500	77,912,500
2017 – 2021	—	389,562,500	389,562,500
2022 – 2026	—	389,562,500	389,562,500
2027 – 2031	—	389,562,500	389,562,500
2032 – 2036	100,785,000	382,938,779	483,723,779
2037 – 2041	311,570,000	313,908,296	625,478,296
2042 – 2046	399,030,000	200,643,049	599,673,049
2047 – 2049	388,615,000	53,902,294	442,517,294
Total	$ 1,200,000,000	2,509,642,418	3,709,642,418

 (Continued)

(b) Revenue Bonds

On March 1, 1995, the District entered into the contract with the State of California, State Public Works Board, for participation in the sale of Energy and Water Efficiency Revenue Bonds Phase IV, Series 1995A, for funding of energy conservation design and construction projects at Los Angeles Pierce College in the amount of $4,063,000. Until the termination date on October 1, 2010, the amount of $285,000 will be withheld from the District's apportionment payments in order to satisfy the District's annual energy service contract obligation due on August 15 each year. At June 30, 2011 and 2010, $0 and $285,000 was outstanding, respectively.

On June 1, 1996, the District entered into the contract with the State of California, State Public Works Board, for participation in the sale of Energy and Water Efficiency Revenue Bonds Phase V, Series 1996 A, for funding of energy conservation design and construction projects at Los Angeles Southwest College in the amount of $1,581,488. Until the termination date on August 1, 2010, the amount of $121,653 will be withheld from the District's apportionment payments in order to satisfy the District's annual energy service contract obligation due on August 15 each year. At June 30, 2011 and 2010, the outstanding balance was $0 and $121,652, respectively.

As of June 30, 2011, the revenue bonds had been fully paid off.

(c) Lease Purchase Financing

Debt service requirements to maturity of the lease purchase financing transactions at June 30, 2011 are as follows:

	Lease purchase financing		
	Principal	**Interest**	**Total**
Year ending June 30:			
2012	$ 1,149,418	125,519	1,274,937
2013	487,655	261,885	749,540
2014	357,728	22,132	379,860
2015	33,369	4,902	38,271
2016	9,009	359	9,368
Total	$ 2,037,179	414,797	2,451,976

(d) BANs

On June 15, 2010, the District issued BANs (BAN) in the aggregate principal amount of $300,000,000. The net proceeds of the 2010 Series C and D Bonds was used to repay the BAN in full on or about the same date as the delivery of these Bonds.

(11) Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for up to a maximum of $750,000 for each workers' compensation claim, $1,000,000 per employment practices claims, and $500,000 for each general liability claim.

The District currently reports all of its risk management activities in the balance sheets. The balance of all outstanding workers' compensation and incurred general liability claims is estimated based on information provided by an outside actuarial study performed in 2011. The amount of the outstanding liability at June 30, 2011 and 2010 includes estimates of future claim payments for known cases as well as provisions for incurred but not reported claims and adverse development on known cases, which occurred through that date.

Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment yield assumption at 1.5%.

Changes in the balances of workers' compensation and general liability claims during fiscal years ended June 30, 2011 and 2010 were as follows:

	2011			
	Balance at July 1, 2010	**Current year claims and changes in estimates**	**Claim payments**	**Balance at June 30, 2011**
Workers' compensation	$ 40,951,852	(5,027,164)	(3,974,688)	31,950,000
General liability	3,233,216	2,313,002	(2,747,218)	2,799,000

	2010			
	Balance at July 1, 2009	**Current year claims and changes in estimates**	**Claim payments**	**Balance at June 30, 2010**
Workers' compensation	$ 41,181,000	4,630,801	(4,859,949)	40,951,852
General liability	6,957,000	(3,238,467)	(485,317)	3,233,216

During the years ended June 30, 2011 and 2010, the District made total premium payments of approximately $2,829,403 and $2,784,905, respectively, for general liability and property claims.

(12) Subsequent Events

The District evaluated events or transactions that occurred subsequent to the balance sheet date through March 15, 2012, the date the accompanying financial statements were available to be issued.

THIS PAGE LEFT INTENTIONALLY BLANK

REQUIRED SUPPLEMENTAL INFORMATION

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Other Postemployment Benefits (OPEB) Funding Progress and Employer Contribution

Year ended June 30, 2011

Schedule of Funding Progress

The following schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The District funding progress information is illustrated as follows:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
July 1, 2009	$ 8,925,840	545,000,000	536,115,160	1.64%	$ 251,957,000	212.78%
July 1, 2007	—	633,142,000	633,142,000	—	269,607,861	234.84

See accompanying independent auditors’ report.

SUPPLEMENTAL FINANCIAL INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Balance Sheet Accounts

June 30, 2011

Assets

Cash in County Treasury	$	31,053,495
Cash in banks		9,454,652
Cash in Revolving Fund		161,230
Investments		47,189
Accounts, notes, interest, and loans receivable, net		107,299,256
Cash held with trustee		65,402
Due from other funds		6,677,052
Prepaid expenses and other assets		6,287,691
Total assets	$	161,045,967

Liabilities and Fund Equity

Liabilities:		
Accounts payable	$	40,674,297
Due to other funds		6,656,270
Amounts held in trusts		536,007
Deferred revenue		5,736,864
Total liabilities		53,603,438
Fund equity:		
Restricted		15,375,554
Unrestricted		92,066,975
Total fund equity		107,442,529
Total liabilities and fund equity	$	161,045,967

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

Revenues:	
Federal revenues:	
Higher Education Acts	$ 14,222,875
Job Training Partnership Act	8,622,948
Temporary assistance for needy families	1,007,222
Vocational Education Act	5,975,262
Veterans' education	23,212
College work study	2,069,573
SEOG	106,087
Pell	242,225
Other	7,997,446
Total federal revenues	40,266,850
State revenues:	
State apportionments	334,235,045
Tax relief subvention	1,350,919
State lottery	14,238,395
California work opportunity and responsibility to kids program	3,392,006
Extended opportunity program	5,526,304
Matriculation program	4,067,260
Disabled students programs and services	3,498,291
Other	19,485,095
Total state revenues	385,793,315
Local revenues:	
Local property taxes	146,176,621
Rental and lease income	—
Enrolment fees	19,708,004
Tuition and fees, net of scholarship discounts and allowance	12,534,716
Community service fees	5,940,407
Parking fees	2,734,292
Health service fees	4,865,565
Student fees and charges	2,007,291
Interest	898,094
Other	12,834,777
Total local revenues	207,699,767
Total revenues	633,759,932
Expenditures:	
Current:	
Academic salaries	239,512,389
Classified salaries	144,190,154
Employee benefits	122,808,713
Books and supplies	10,669,722
Contract services, student grants, and other operating expenditure	79,870,599
Capital outlay and equipment replacement	8,693,883
Other	792,260
Total expenditures	606,537,720
Excess of revenues over expenditures	27,222,212
Other financing uses:	
Operating transfers-out	(10,429,260)
Net increase in fund balance	16,792,952
Fund balances at July 1, 2010	90,649,577
Fund balances at June 30, 2011	$ 107,442,529

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2011

Assets		Special Reserve Fund	Child Development Fund	Bookstore Fund	Cafeteria Fund	Total
Cash in County Treasury	$	83,626,861	432,846	—	—	84,059,707
Cash in banks		752,409	83,787	2,140,739	306,085	3,283,020
Cash in Revolving Fund		—	378	166,238	5,167	171,783
Investments		—	—	—	—	—
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts		15,153,067	900,002	4,129,624	60,565	20,243,258
Due from other funds		2,040,706	311,785	823,118	445,358	3,620,967
Prepaid expenses		—	—	1,107	—	1,107
Inventory		—	—	5,530,146	95,617	5,625,763
Total assets	$	101,573,043	1,728,798	12,790,972	912,792	117,005,605
Liabilities and Fund Equity						
Liabilities:						
Accounts payable	$	855,495	278,884	283,080	30,592	1,448,051
Due to other funds		46,720,164	950,700	4,608,909	864,838	53,144,611
Deferred revenue		—	—	7,085	17,362	24,447
Total liabilities		47,575,659	1,229,584	4,899,074	912,792	54,617,109
Fund equity:						
Capital projects		53,997,384	—	—	—	53,997,384
Unrestricted		—	499,214	3,787,862	—	4,287,076
Reserve for facility improvements and inventory		—	—	4,104,036	—	4,104,036
Total fund equity		53,997,384	499,214	7,891,898	—	62,388,496
Total liabilities and fund equity	$	101,573,043	1,728,798	12,790,972	912,792	117,005,605

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Special Revenue Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

		Special Reserve Fund	Child Development Fund	Bookstore Fund	Cafeteria Fund	Total
Revenues:						
Federal revenues:						
Tuition and fees	$	—	145,053	—	—	145,053
Other		—	837,367	—	52,838	890,205
Total federal revenues		—	982,420	—	52,838	1,035,258
State revenues:						
State apportionment		37,615,351	—	—	—	37,615,351
Other		—	6,704,815	—	—	6,704,815
Total state revenues		37,615,351	6,704,815	—	—	44,320,166
Local revenues:						
Food service sales		—	—	—	2,133,115	2,133,115
Bookstore sales		—	—	24,535,764	—	24,535,764
Interest		1,101,132	20,506	—	—	1,121,638
Other		1,818,848	—	51,959	183,680	2,054,487
Total local revenues		2,919,980	20,506	24,587,723	2,316,795	29,845,004
Total revenues		40,535,331	7,707,741	24,587,723	2,369,633	75,200,428
Expenditures:						
Current:						
Academic salaries		35,881	4,161,276	—	—	4,197,157
Classified salaries		(276)	2,322,027	4,061,052	719,110	7,101,913
Employee benefits		3,760	1,413,120	1,368,737	124,956	2,910,573
Books and supplies		—	580,511	18,308,255	1,860,707	20,749,473
Contract services, student grant, and other operating expenditures		781,525	586,812	1,024,428	111,460	2,504,225
Utilities		—	—	247,899	21,903	269,802
Capital outlay		48,155,389	18,863	30,791	5,581	48,210,624
Total expenditures		48,976,279	9,082,609	25,041,162	2,843,717	85,943,767
Deficit of revenues under expenditures		(8,440,948)	(1,374,868)	(453,439)	(474,084)	(10,743,339)
Other financing sources – operating transfers-in		3,479,907	1,492,301	512,739	474,084	5,959,031
Net decrease in fund balances		(4,961,041)	117,433	59,300	—	(4,784,308)
Fund balances at July 1, 2010		58,958,425	381,781	7,832,598	—	67,172,804
Fund balances at June 30, 2011	$	53,997,384	499,214	7,891,898	—	62,388,496

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Balance Sheet Accounts

June 30, 2011

Assets

Cash in County Treasury	$ —
Cash held with trustee	161,592,257
Accounts, notes, interest, and loans receivable, net	21,373,118
Total assets	$ 182,965,375

Liabilities and Fund Equity

Liabilities:	
Due to other funds	$ —
Deferred income	21,373,118
Other accrued liabilities	82,648,448
Total liabilities	104,021,566
Fund equity:	
Restricted	78,943,809
Total fund equity	78,943,809
Total liabilities and fund equity	$ 182,965,375

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

Revenues:	
Interest	$ 3,010
Other	—
Total revenues	3,010
Expenditures:	
Current:	
Contract services, student grants, and other operating expenditures	—
Debt service:	
Principal	344,950,250
Interest	193,026,917
Total expenditures	537,977,167
Deficit of revenues under expenditures	(537,974,157)
Other financing sources:	
Local tax for G.O. Bonds	253,478,826
Proceeds from issuance of debt	16,180,250
Operating transfers in	299,270,092
Total other financing sources	568,929,168
Net decrease in fund balances	30,955,011
Fund balances at July 1, 2010	47,988,798
Fund balances at June 30, 2011	$ 78,943,809

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Balance Sheet Accounts

June 30, 2011

Assets		
Cash held with trustee	$	—
Total assets	$	—
Liabilities and Fund Equity		
Liabilities:		
Unfunded OPEB payable	$	31,827,954
Total liabilities		31,827,954
Fund equity:		
Restricted		(31,827,954)
Total fund equity		(31,827,954)
Total liabilities and fund equity	$	—

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Postretirement Health Insurance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

Revenues:		
Interest	$	12,891
Total revenues		12,891
Expenditures:		
Current:		
Employee benefits		17,790,145
Other nonoperating revenue		(176,390)
Total expenditures		17,613,755
Deficit of revenues under expenditures		(17,600,864)
Other financing sources:		
Operating transfers-in		5,200,136
Total other financing sources		5,200,136
Net decrease in fund balances		(12,400,728)
Fund balances at July 1, 2010		(19,427,226)
Fund balances at June 30, 2011	$	(31,827,954)

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Balance Sheet Accounts

June 30, 2011

Assets

Cash in County Treasury	$	942,570,257
Cash in banks		6,570,466
Accounts, notes, interest, and loans receivable, net of allowance for doubtful accounts		2,116,943
Due from other funds		48,151,256
Prepaid expenses and other assets		24,850,944
Deposit with trustee		31,797,415
Total assets	$	1,056,057,281

Liabilities and Fund Equity

Liabilities:		
Accounts payable	$	134,853,709
Due to other funds		11,395
Total liabilities		134,865,104
Fund equity:		
Reserved for capital expenditures		921,192,177
Total fund equity		921,192,177
Total liabilities and fund equity	$	1,056,057,281

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Building Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

Local revenues:		
Interest	$	15,549,895
Other		1,021
Total local revenues		15,550,916
Expenditures:		
Other operating expenses and services		8,864,733
Capital outlay		471,422,162
Total expenditures		480,286,895
Deficit of revenues under expenditures		(464,735,979)
Other financing sources:		
Proceeds from issuance of debt		1,200,000,000
Operating transfers out		(300,000,000)
Total other financing sources		900,000,000
Net decrease in fund balances		435,264,021
Fund balances at July 1, 2010		485,928,156
Fund balances at June 30, 2011	$	921,192,177

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Balance Sheet Accounts

June 30, 2011

Assets		
Cash in banks	$	1,433,942
Accounts, notes, interest, and loans receivable, net		3,166,337
Due from other funds		1,696,161
Total assets	$	6,296,440
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	$	2,987,696
Due to other funds		333,160
Total liabilities		3,320,856
Fund equity:		
Restricted		2,975,584
Total fund equity		2,975,584
Total liabilities and fund equity	$	6,296,440

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Student Financial Aid Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

Revenues:	
Federal revenues:	
SEOG	$ 1,942,366
Pell (BEOG)	180,532,886
Direct loan	27,695,877
Other	513,066
Total federal revenues	210,684,195
State revenues:	
Extended opportunity program	3,115,190
Cal grant	7,739,503
Total state revenues	10,854,693
Local revenues:	
Interest	50,513
Other	37,250
Total local revenues	87,763
Total revenues	221,626,651
Expenditures:	
Books and supplies	—
Other operating expenses and services	222,031,190
Total expenditures	222,031,190
Excess of revenues over expenditures	(404,539)
Other financing uses:	
Operating transfers-in	—
Net increase in fund balances	(404,539)
Fund balances at July 1, 2010	3,380,123
Fund balances at June 30, 2011	$ 2,975,584

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

Combined Schedule of Balance Sheet Accounts

June 30, 2011

Assets		East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade-Technical College	Los Angeles Valley College	West Los Angeles College	Total
Cash in banks	$	357,034	379,408	10,344	306,692	630,583	115,648	137,690	342,583	271	2,280,253
Investments		943,137	166,923	323,517	65,197	607,598	49,383	1,530,639	994,993	216,456	4,897,843
Accounts, notes and interest receivable, net of allowance for doubtful accounts		—	1,774	—	838	—	10,422	54,096	—	765	67,895
Capital assets		41,118	—	—	—	32,273	—	162,986	266,811	49,246	552,434
Total assets	$	1,341,289	548,105	333,861	372,727	1,270,454	175,453	1,885,411	1,604,387	266,738	7,798,425
Liabilities and Fund Equity											
Liabilities:											
Accounts payable	$	4,712	7,693	24,586	—	9,151	50,658	17,781	—	913	115,494
Deferred revenue		5,604	—	—	—	—	—	2,667	—	—	8,271
Scholarship and trust		880,617	3,527	—	217,844	541,502	116,915	869,565	134,424	123,075	2,887,469
Other liabilities		—	—	—	—	45,458	—	—	246,458	—	291,916
Total liabilities		890,933	11,220	24,586	217,844	596,111	167,573	890,013	380,882	123,988	3,303,150
Fund equity:											
Investment in fixed assets		41,118	—	—	—	32,273	—	162,986	266,811	49,246	552,434
Fund balances – designated for future expenditures		409,238	536,885	309,275	154,883	642,070	7,880	832,412	956,694	93,504	3,942,841
Total fund equity		450,356	536,885	309,275	154,883	674,343	7,880	995,398	1,223,505	142,750	4,495,275
Total liabilities and fund equity	$	1,341,289	548,105	333,861	372,727	1,270,454	175,453	1,885,411	1,604,387	266,738	7,798,425

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Expendable Trust Fund – Associated Student Organization Funds and Agency Funds

Combined Schedule of Revenues, Expenditures, and Changes in Fund Balance Accounts

Year ended June 30, 2011

	East Los Angeles College	Los Angeles City College	Los Angeles Harbor College	Los Angeles Mission College	Pierce College	Los Angeles Southwest College	Los Angeles Trade-Technical College	Los Angeles Valley College	West Los Angeles College	Total
Revenues:										
Interest	$ 1,362	5,686	1,718	3,069	18,342	167	8,074	20,552	2,160	61,130
Other	207,745	143,978	40,516	29,510	136,128	16,058	42,587	121,560	32,722	770,804
Total revenues	209,107	149,664	42,234	32,579	154,470	16,225	50,661	142,112	34,882	831,934
Expenditures:										
Contract services and other operating expenditures	133,026	133,290	88,912	17,903	66,269	8,345	80,695	97,826	30,052	656,318
Total expenditures	133,026	133,290	88,912	17,903	66,269	8,345	80,695	97,826	30,052	656,318
Net increase (decrease) in fund balances	76,081	16,374	(46,678)	14,676	88,201	7,880	(30,034)	44,286	4,830	175,616
Fund balances at July 1, 2010	374,275	520,511	355,953	140,207	586,142	—	1,025,432	1,179,219	137,920	4,319,659
Fund balances at June 30, 2011	$ 450,356	536,885	309,275	154,883	674,343	7,880	995,398	1,223,505	142,750	4,495,275

See accompanying independent auditors' report.

OTHER SUPPLEMENTAL INFORMATION

THIS PAGE LEFT INTENTIONALLY BLANK

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2011

The Los Angeles Community College District (the District) was established on July 1, 1969 and comprises an area of approximately 882 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the year. The District currently operates nine colleges as follows:

- East Los Angeles College
- Los Angeles City College
- Los Angeles Harbor College
- Los Angeles Mission College
- Pierce College
- Los Angeles Southwest College
- Los Angeles Trade-Technical College
- Los Angeles Valley College
- West Los Angeles College

The board of trustees for the fiscal year ended June 30, 2011 comprised the following members:

Board of Trustees

Name	Office	Term expires
Georgia L. Mercer	President	June 30, 2011
Miguel Santiago	Vice President	June 30, 2015
Nancy Pearlman	Vice President	June 30, 2013
Tina Park	Member	June 30, 2013
Kelly G. Candaele	Member	June 30, 2013
Mona Field	Member	June 30, 2015
Sylvia Scott-Hayes	Member	June 30, 2011
Amber I. Barrero	Student Trustee	May 31, 2012

Administration

Dr. Daniel J. LaVista, Chancellor
Dr. Adriana D. Barrera, Deputy Chancellor
Mr. Tom Hall, Interim Executive Director, Facilities Planning and Development
Ms. Camille A. Goulet, General Counsel
Ms. Jeanette L. Gordon, Chief Financial Officer/Treasurer

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Organization

June 30, 2011

College Presidents

Mr. Ernest H. Moreno	East Los Angeles College
Dr. Jamillah Moore	Los Angeles City College
Mr. Marvin Martinez	Los Angeles Harbor College
Dr. Monte Perez	Los Angeles Mission College
Dr. Kathleen Burke-Kelly	Pierce College
Dr. Jack E. Daniels III	Los Angeles Southwest College
Dr. Roland J. Chapdelaine	Los Angeles Trade-Technical College
Dr. A. Susan Carleo	Los Angeles Valley College
Dr. Rose Marie Joyce *	West Los Angeles College

* Interim

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Workload Measures for State General Apportionment

Annual (Actual) Attendance as of June 30, 2011

Categories	State residents reported data	Audit adjustments	Revised data
A. Summer intersession (Summer Segment 2 only):			
1. Noncredit	1,004.76	—	1,004.76
2. Credit	5,685.88	—	5,685.88
B. Summer intersession (Summer Segment 1 only):			
1. Noncredit	259.45	—	259.45
2. Credit	320.66	—	320.66
C. Primary terms (exclusive of summer intersessions):			
1. Census procedure courses:			
a. Weekly census contact hours	83,411.11	—	83,411.11
b. Daily census contact hours	7,739.20	—	7,739.20
2. Actual hours of attendance procedure courses:			
a. Noncredit	4,669.54	—	4,669.54
b. Credit	4,067.54	—	4,067.54
3. Independent study/work experience education courses:			
a. Weekly census procedure courses	290.90	—	290.90
b. Daily census procedure courses	1,901.20	—	1,901.20
c. Noncredit independent study	—	—	—
D. Total Full-Time Equivalent Students (FTES)	109,350.24	—	109,350.24

Supplemental information	
E. In-service training courses	1,630.08
F. For future use	—
G. For future use	—
H. Basic skills courses:	
1. Noncredit	3,199.41
2. Credit	6,799.81
I. CCFS-320 Addendum:	
CDCP Noncredit FTES	2,793.71
J. Centers FTES:	
1. Noncredit	N/A
2. Credit	N/A

See accompanying independent auditors’ report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Annual Financial and Budget Report (CCFS 311) with District Accounting System

Year ended June 30, 2011

		General Fund	Special Revenue Fund	Debt Service Fund	Postretirement Health Insurance Fund	Building Fund
Total fund balances per annual financial budget report as of June 30, 2011	$	105,469,424	83,994,670	—	(31,074,920)	895,481,967
Audit adjustments to fund balance:						
Adjustments to cash with bond trustee		—	—	161,592,257	—	—
Adjustments to accrued interest expense		—	—	(82,648,448)	—	—
Adjustment to salary and employee benefits expense		74,962	—	—	—	—
Adjustment to accrued liabilities for building fund		—	—	—	—	—
Adjustments to receivables		(1,857)	—	—	—	—
Adjustments based on actuarial study		—	—	—	(753,034)	—
Adjustments to interfund accounts		—	(25,710,210)	—	—	25,710,210
Adjustments to bookstore’s reserve for inventory and facility improvements		—	4,104,036	—	—	—
Adjustments to workers’ compensation payable reserve		1,900,000	—	—	—	—
Adjustments and reclassifications		1,973,105	(21,606,174)	78,943,809	(753,034)	25,710,210
Unaudited ending fund balance as of June 30, 2011		107,442,529	62,388,496	78,943,809	(31,827,954)	921,192,177
Current assets:						
Adjustment to receivables		(1,434,101)	—	21,373,118	—	—
Adjustment to payables		(513,896)	—	—	—	—
Capital assets are not financial resources and, therefore, are not reported as assets in government funds		—	—	—	—	—
Other assets are not financial resources and, therefore, are not reported as assets in government funds		—	—	—	—	—
Long-term liabilities are not booked as part of fund balances:						
G.O. Bonds		—	—	—	—	—
Unamortized premium bonds		—	—	—	—	—
Prepaid interest expense		—	—	—	—	—
Revenue bond		—	—	—	—	—
Workers’ compensation claims payable		—	—	—	—	—
General liability		—	—	—	—	—
Vacation benefits payable		—	—	—	—	—
Capital lease payable		—	—	—	—	—
Audited net assets as of June 30, 2011	$	105,494,532	62,388,496	100,316,927	(31,827,954)	921,192,177

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Reconciliation of Annual Financial and Budget Report (CCFS 311) with District Accounting System

Year ended June 30, 2011

	Student Financial Aid Fund	ASO Fund	General long-term fixed assets	Other GASB adjustments to general long-term debt	Total
Total fund balances per annual financial budget report as of June 30, 2011	$ 2,975,584	4,495,275	—	—	1,061,342,000
Audit adjustments to fund balance:					
Adjustments to cash with bond trustee	—	—	—	—	161,592,257
Adjustments to accrued interest expense	—	—	—	—	(82,648,448)
Adjustment to salary and employee benefits expense	—	—	—	—	74,962
Adjustment to accrued liabilities for building fund	—	—	—	—	—
Adjustments to receivables	—	—	—	—	(1,857)
Adjustments based on actuarial study	—	—	—	—	(753,034)
Adjustment to interfund accounts	—	—	—	—	—
Adjustments to bookstore's reserve for inventory and facility improvements	—	—	—	—	4,104,036
Adjustments to workers' compensation payable reserve	—	—	—	—	1,900,000
Adjustments and reclassifications	—	—	—	—	84,267,916
Unaudited ending fund balance as of June 30, 2011	2,975,584	4,495,275	—	—	1,145,609,916
Current assets:					
Adjustment to receivables	—	—	—	—	19,939,017
Adjustment to payables	—	—	—	—	(513,896)
Capital assets are not financial resources and, therefore, are not reported as assets in government funds	—	(552,434)	3,263,330,199	—	3,262,777,765
Other assets are not financial resources and, therefore, are not reported as assets in government funds	—	—	—	23,366,079	23,366,079
Long-term liabilities are not booked as part of fund balances:					
G.O. Bonds	—	—	—	(3,536,745,000)	(3,536,745,000)
Unamortized premium bonds	—	—	—	(104,361,415)	(104,361,415)
Prepaid interest expense	—	—	—	412,613	412,613
Revenue bond	—	—	—	—	—
Workers' compensation claims payable	—	—	—	(31,950,000)	(31,950,000)
General liability	—	—	—	(2,799,000)	(2,799,000)
Vacation benefits payable	—	—	—	(15,724,724)	(15,724,724)
Capital lease payable	—	—	—	(2,037,179)	(2,037,179)
Audited net assets as of June 30, 2011	$ 2,975,584	3,942,841	3,263,330,199	(3,669,838,626)	757,974,176

See accompanying independent auditors' report.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	CFDA or project number	Award or pass-through identification number	Expenditures
U.S. Department of Agriculture :			
Direct programs :			
Summer Food Service	10.559	USDA-SFSP-03-2010	$ 117,256
Agricultural Marketing Service:			
Sylmar Farmers Market at Mission College	10.168	12-25-G-1136	29,310
Subtotal direct programs			146,566
Pass-through California Department of Education:			
Child Care Food Programs	10.558	19-2432-2A	688,256
Pass-through California Department of Health Services			
California Nutrition Network	10.561	08-85119	892,480
California Nutrition Network	10.561	07-65327	647,092
Total U.S. Department of Agriculture			2,374,394
U.S. Department of Housing and Urban Development:			
Direct programs:			
Hispanic Serving Institution	14.514		62,116
Total U.S. Department of Housing and Urban Development			62,116
U.S. Department of Labor:			
Direct programs:			
Community-Based Job Training	17.269	CB-17355-08-60-A-6	896,325
Community-Based Job Training	17.269	CB-17347-08-60-A-6	565,027
Community-Based Job Training	17.269	CB-18241-09-60-A-6	704,424
Entertainment Artists Technicians & Crafts Training	17.261	EA-18572-09-60-A-6	327,169
Los Angeles Valley College Green Pilot	17.261	EA-21338-11-60-A-6	22,426
Workforce Investment Act and the American Recovery and Reinvestment Act:			
Recovery Act-Pathways Out of Poverty	17.275	GJ-20026-10-60-A-6	1,098,331
Pass-through City of Los Angeles:			
Los Angeles Fellows Program – WIA Adult	17.258	117746	94,838
Los Angeles Fellows Program – WIA Dislocated	17.260	117746	94,838
Hospitality Training Partnership	17.258	C-117239	364,886
Emergency Department Assistant Program/Course	17.263	T5041	29,466
American Recovery and Reinvestment Act (ARRA):			
City of Los Angeles High Growth-Healthcare-South LA-Adult	17.258	T4561/117393	82,800
City of Los Angeles High Growth-Healthcare-South LA-Dislocated	17.278	T4561/117393	241,907
South Los Angeles Healthcare Program	17.260	T4543/117414	48,582
City of Los Angeles High Growth Urban Manufacturing Sector	17.258	UAW-1	42,560
City of Los Angeles High Growth Urban Manufacturing Sector	17.278	UAW-1	109,440
Hospitality Training Partnership Project	17.258	C-117538	132,777
Vocational Bridge Program – Adult	17.258	MCS 06/07-03	57,500
Vocational Bridge Program – Dislocated	17.260	MCS 06/07-03	165,187
State Energy Sector Partnership Program	17.275	C-118973	219,834
Connections Healthcare Training Academy	17.259	YR117222ELACWR2-071083	205
Community Career Development-EMT/EDA	17.258	K078502-4575C-ELACEMT	46,898
Connections Healthcare Training Academy-Work Readiness	17.258	YR117222ELACWR1-071079	8,500
Connections Healthcare Academy-EMT Training	17.258	YR117222ELACEMT-052101	26,100
Biotech/Manufacturing High Growth Sector Initiative-Adult	17.258	T4548	17,242
Biotech/Manufacturing High Growth Sector Initiative-Dislocated	17.260	T4548	27,161
Pass-through County of Los Angeles:			
Workforce Investment Act – Com Career Title I – Adult	17.258	A091010	61,996
Workforce Investment Act – Com Career Title I -Dislocated	17.260	DW091010	233,161
California Clean Energy Workforce Training Program	17.258	CEWTP	684,595
California Clean Energy Workforce Training Program-Alternative Fuel	17.258	CEWTP-01	372,362
American Recovery and Reinvestment Act (ARRA):			
Workforce Investment Act-Adult	17.258	ARRA-A091010	1,024
Workforce Investment Act-Dislocated	17.278	ARRA-DW091010	15,365

(Continued)

Federal grantor/pass-through grantor/program title	CFDA or project number	Award or pass-through identification number		Expenditures
Pass-through Employment Development Department:				
Cal GRIP	17.259	R973798-120	$	151,868
WIA Cal GRIP Project	17.258	K080057		143,549
Cal GRIP Urban Teacher Fellowship Program	17.258	K080060		192,971
Green Innovation Challenge Project	17.258	K079967		62,749
American Recovery and Reinvestment Act (ARRA):				
Green Jobs Corp Initiative	17.258	R973798-433		512,609
Clean Energy Project	17.258	K076825		296,143
Workforce Investment Act-ARRA Adult	17.258	K077875		954,416
Pass-through United Way of Greater Los Angeles:				
American Recovery and Reinvestment Act (ARRA):				
Pathways Out of Poverty	17.275	2010-301-140		206,866
Pass-through San Bernardino Community College District				
American Recovery and Reinvestment Act (ARRA):				
Southern California Logistics Training Collaborative	17.275	GJ-20040-10-60-A6		239,359
Pass-through Coalition for Responsible Community Development				
American Recovery and Reinvestment Act (ARRA):				
YouthBuild Program	17.259	SLAYB2011		99,079
Pass-through Jewish Vocational Service				
Community-Based Job Training Grants	17.269	CB-20561-10-60-A-6		225,620
Total U.S. Department of Labor				9,878,155
National Science Foundation:				
Direct programs:				
A 2+2+2 Model for an Environmental Science and Technology Program	47.076	1003563		8,113
Total National Science Foundation				8,113
U.S. Department of Energy:				
Pass-through Employment Development Department				
American Recovery and Reinvestment Act (ARRA):				
Clean Energy Project	81.041	K077137		444,708
LATTC Weatherization and Energy Efficiency Training Center	81.042	DE-EE0004134		275,690
Total U.S. Department of Energy				720,398
U.S. Department of Commerce:				
Direct programs:				
Improving Access to Weather Data	11.467	NA09NWS4670019		16,294
Total U.S. Department of Commerce				16,294
U.S. Department of Education:				
Direct programs:				
Higher Education Act :				
Higher Education Institutional Aid	84.031			9,332,192
Student Support Services	84.042			1,916,051
Talent Search	84.044			493,736
Upward Bound	84.047			1,608,643
Educational opportunity centers	84.066			227,875
Fund for the Improvement of Postsecondary Education	84.116			329,979
Strengthening Minority-Serving Institutions-Flying into the Future	84.382			340,373
Student financial assistance :				
Federal Supplement Educational Opportunity Grants (FSEOG)	84.007			2,037,669
Federal Work Study Program	84.033			2,254,233
Federal Perkins Loan Program	84.038			309,879
Federal Pell Grant Program	84.063			179,092,731
Federal Direct Student Loans	84.268			27,704,864
Academic Competitiveness Grant	84.375			1,528,695
Subtotal direct programs				227,176,920
Pass-through California Community College’s Chancellors Office:				
Perkins Title IC	84.048	09-C01-027		87,857
Perkins Title IC	84.048	10-C01-027		5,080,332
Tech Prep Education – Los Angeles City College	84.243	10-139-083		69,708
Tech Prep Education – East Los Angeles College	84.243	10-139-032		69,708

(Continued)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal grantor/pass-through grantor/program title	CFDA or project number	Award or pass-through identification number	Expenditures
Tech Prep Education – Los Angeles Harbor College	84.243	10-139-034	$ 69,708
Tech Prep Education – Los Angeles Mission College	84.243	10-139-035	69,708
Tech Prep Education – Los Angeles Pierce College	84.243	10-139-036	69,708
Tech Prep Education – Los Angeles Southwest College	84.243	10-139-745	69,708
Tech Prep Education – Los Angeles Trade Technical College	84.243	10-139-082	69,705
Tech Prep Education – Los Angeles Valley College	84.243	10-139-038	69,708
Tech Prep Education – West Los Angeles College	84.243	10-139-037	69,708
Tech Prep Education – Distribution Points Project	84.243	CN088121	231,094
American Recovery and Reinvestment Act Education Stabilization Funds	84.394		494,042
Pass-through California Department of Education			
Tech Prep Demonstration Site	84.243	10-14899-6474-00	99,998
Adult Education and Family Literacy & English Literacy	84.002	19-64741	1,347,183
Pass-through Los Angeles Unified School District			
GEAR UP	84.334	900208	95,946
GEAR UP	84.334	900263	39,736
GEAR UP	84.334	1000340	67,219
Subtotal pass-through programs			8,170,776
Total U.S. Department of Education			8,170,776
U.S. Department of Health and Human Services:			
Direct programs:			
Nursing Student Loans	93.364		68,681
Health Care and Other Facilities	93.887	C766HF16195-01-01	186,942
Service Focused Special Congressional Initiative	93.888	D1DHP20024-01-00	90,523
Subtotal direct programs:			346,146
Pass-through State of California Department of Public Health:			
Temporary Assistance for Needy Families (TANF)	93.558	4362501711014	1,007,222
Pass-through California Department of Education:			
Infant Toddler Resource	93.713	CCAP-0041	2,195
Child Development Block Grant	93.596	CCTR-0122	151,528
Pass-through California Community College's Chancellors Office:			
American Recovery and Reinvestment Act (ARRA):			
Phase II, Allied Health Program	93.416	09-127-09	246,776
Phase II, Allied Health Program	93.416	09-127-18	267,288
Pass-through Los Rios Community College District			
American Recovery and Reinvestment Act (ARRA):			
Educating Information Technology Professionals in Health Care	93.721	90CC076/01	265,436
Pass-through County of Los Angeles Department of Public Social Services			
City of Hawthorne, South Bay WIB-City of Los Angeles CDD :			
ARRA Emergency Contingency Funds for TANF:			
Summer Youth Employment Program	93.714	C-117871	2,467,201
Subtotal pass-through programs:			4,407,646
Total U.S. Department of Health and Human Services			4,753,792
U.S. Department of State, Bureau of Education:			
Pass-through Foundation for California Community College:			
Egyptian Student Program	19.012	S-ECAAS-09-CA-178(TG)	194,853
Total U.S. Department of State, Bureau of Education			194,853
Corporation for National and Community Service:			
American Recovery and Reinvestment Act (ARRA):			
Americorps	94.006	N/A	513,064
Total Corporation for National and Community Service			513,064
Total expenditures of federal awards			$ 253,868,875

See accompanying independent auditors' report on schedule of expenditures of federal awards and notes to schedules of expenditures of federal and state financial awards.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Schedule of State Financial Awards

Year ended June 30, 2011

Program name		Cash received	Accounts receivable	Deferred income	Total program revenues	Total program expenditures
Disabled Students Program and Services	$	3,498,291	—	—	3,498,291	5,232,254
State Matriculation (Credit)		3,539,810	—	—	3,539,810	3,696,349
State Matriculation (Non Credit)		527,450	—	—	527,450	598,271
Student Financial Aid Administration		5,375,455	—	—	5,375,455	5,473,133
One-Time Block Grant/Instructional Equipment/ Deferred Maintenance		—	—	—	—	496,742
Basic Skills		1,524,866	—	—	1,524,866	2,501,096
Extended Opportunity Program and Services (EOPS)		7,809,861	—	—	7,809,861	8,417,414
Cooperative Agencies Resource for Education (CARE)		831,633	—	—	831,633	898,157
CalWORKS Program		3,392,006	—	—	3,392,006	3,393,492
Telecommunication and Technology: Infrastructure Program		—	—	—	—	38,299
Foster Care Program		760,027	454,089	—	1,214,116	1,224,950
Staff Development		—	—	—	—	23,350
Faculty and Staff Diversity		33,732	—	—	33,732	60,996
CAHSEE Preparation Program		352,186	—	—	352,186	352,186
Nursing Program		1,288,668	219,689	224,774	1,283,583	1,283,583
Child Development Careers WORKs		198,472	79,015	—	277,487	287,439
Youth Empowerment Strategies for Success		220,217	148,712	—	368,929	368,929
Economic and Workforce Development		2,305,897	247,134	303,788	2,249,243	2,249,240
Career Technical Education		2,228,669	—	806,967	1,421,702	1,421,705
Math, Engineering, and Science Achievement (MESA)		50,839	—	31,267	19,572	19,572
Middle College High School (MCHS)		39,782	59,660	—	99,442	99,442
Transfer and Articulation Program		5,850	—	1,125	4,725	4,725
Green Innovation Project I		431,669	258,504	—	690,173	690,173
Child Development Pre-School Care		3,115,596	520,241	—	3,635,837	3,635,837
Child Development Services		1,168,997	107,195	—	1,276,192	1,279,685
Family Child Care Homes Network		582,822	171,662	—	754,484	754,484
CAL Grants		8,013,030	—	273,528	7,739,502	7,279,766
After School Education and Safety Program		176,501	19,338	—	195,839	195,839
Ocher Scholar		37,250	—	—	37,250	37,250
Other state assistance programs		902,498	183,172	67,908	1,017,762	1,595,703
Total state programs	$	48,412,074	2,468,411	1,709,357	49,171,128	53,610,061

See accompanying independent auditors’ report on Schedule of Expenditures of Federal Awards and notes to schedules of expenditures of federal and state financial awards.

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2011

(1) General

The accompanying schedule of expenditures of federal awards and schedule of state financial awards present the activity of all federal and state financial assistance programs of the Los Angeles Community College District (the District). The District's reporting entity is defined in the basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included in the schedules.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards and schedule of state financial awards are presented using the accrual basis of accounting.

(3) Reconciliations to Basic Financial Statements

Amounts reported in the accompanying schedule of state financial awards agree with the amounts reported in the related basic financial statements, in all material respects.

State revenues in fund financial statements:		
General Fund	$	385,793,315
Special Revenue Fund		44,320,166
Student Financial Aid Fund		10,854,693
Total state revenues in fund financial statements	$	440,968,174
Total state revenues in accompanying schedule	$	49,171,128
Add:		
General Fund:		
Basic and equalization aid		334,235,045
State lottery		14,238,395
Tax relief subvention		1,350,919
Other state funds		4,357,336
Total other General Fund revenues		354,181,695
Special Revenue Fund:		
Community College Construction Act		37,615,351
Scheduled Maintenance Program		—
Total other Special Revenue Fund revenues		37,615,351
Total state revenues in fund financial statements	$	440,968,174

(4) Loans Outstanding

The District made the following advances and had the following loans outstanding, which were held by the District as of June 30, 2011. Loan balances outstanding are included in the federal expenditures presented in the schedule of expenditures of federal awards.

Cluster name/program title	CFDA number	Loan advances made	Loan balances outstanding
Student financial aid cluster:			
Federal Perkins Loans (FPL)	84.038	$ 309,879	3,959,071
Federal Direct Student Loans	84.268	27,704,864	—
Nursing Student Loans	93.364	—	68,679

(5) Administrative Cost Allowances

Administrative cost allowances included in the accompanying schedule of expenditures of federal awards are summarized as follows:

Federal Supplemental Educational Opportunity Grant	$ 113,663
Federal Work-Study Program	106,933
	$ 220,596

(Continued)

(6) Federal Clusters of Programs

The following table summarizes the expenditures of federal program clusters included in the schedule of expenditure of federal awards:

	CFDA number		Expenditures
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	$	2,037,669
Federal Work Study (FWS)	84.033		2,254,233
Federal Perkins Loan Program (FPL)	84.038		309,879
Federal Direct Student Loans (Direct Loan)	84.268		27,704,864
Federal Pell Grant Program (PELL)	84.063		179,092,731
Academic Competitiveness Grant (ACG)	84.375		1,528,695
		$	212,928,071
Child Care Development Fund Cluster:			
Infant Toddler Resource	93.713	$	2,195
Child Development Block Grant	93.596		151,528
		$	153,723
TRIO Cluster:			
Student Support Services	84.042	$	1,916,051
Talent Search	84.044		493,736
Upward Bound	84.047		1,608,643
Educational Opportunity Centers	84.066		227,875
		$	4,246,305
TANF Cluster:			
Temporary Assistance for Needy Families (TANF)	93.558	$	1,007,222
ARRA – Emergency Contingency Funds for TANF: Summer Youth Employment Program	93.714		2,467,201
		$	3,474,423

(Continued)

LOS ANGELES COMMUNITY COLLEGE DISTRICT

Notes to Schedules of Expenditures of Federal and State Financial Awards

Year ended June 30, 2011

	CFDA number		Expenditures
Workforce Investment Act (WIA) Cluster:			
Los Angeles Fellows Program – WIA Adult	17.258	$	94,838
Hospitality Training Partnership	17.258		364,886
City of Los Angeles High Growth – Healthcare-South LA – Adult	17.258		82,800
City of Los Angeles High Growth Urban Manufacturing Sector	17.258		42,560
Hospitality Training Partnership Project	17.258		132,777
Vocational Bridge Program – Adult	17.258		57,500
Community Career Development – EMT/EDA	17.258		46,898
Connections Healthcare Training Academy – Work Readiness	17.258		8,500
Connections Healthcare Training Academy – EMT Training	17.258		26,100
Biotech/Manufacturing High Growth Sector Initiative – Adult	17.258		17,242
Workforce Investment Act – Com Career Title I – Adult	17.258		61,996
California Clean Energy Workforce Training Program	17.258		684,595
California Clean Energy Workforce Training Program – Alternative Fuel	17.258		372,362
Workforce Investment Act – Adult	17.258		1,024
WIA Cal GRIP Project	17.258		143,549
Cal GRIP Urban Teacher Fellowship Program	17.258		192,971
Green Innovation Challenge Project	17.258		62,749
Clean Energy Project	17.258		296,143
Workforce Investment Act – ARRA Adult	17.258		954,416
Green Jobs Corp Initiative	17.258		512,609
Cal GRIP	17.259		151,868
Connections Healthcare Training Academy	17.259		205
YouthBuild Program	17.259		99,079
Los Angeles Fellows Program – WIA Dislocated	17.260		94,838
South Los Angeles Healthcare Program	17.260		48,582
Vocational Bridge Program – Dislocated	17.260		165,187
Biotech/Manufacturing High Growth Sector – Dislocated	17.260		27,161
Workforce Investment Act – Com Career Title I – Dislocated	17.260		233,161
City of Los Angeles High Growth-Healthcare-South LA – Dislocated	17.278		241,907
City of Los Angeles High Growth Urban Manufacturing Sector	17.278		109,440
Workforce Investment Act – Dislocated	17.278		15,365
		$	5,343,308

THIS PAGE LEFT INTENTIONALLY BLANK

INDEPENDENT ACCOUNTANTS’ REPORT ON STATE COMPLIANCE REQUIREMENTS

THIS PAGE LEFT INTENTIONALLY BLANK

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
801 South Grand Avenue, Suite 400 ▪ Los Angeles, CA 90017-4646 ▪ Ph. (213) 629-9094 ▪ Fax (213) 996-4242 ▪ www.vasquezcpa.com

Independent Accountants' Report on State Compliance Requirements

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have examined the District's compliance with the following state laws and regulations for the year ended June 30, 2011 in accordance with Section 400 of the Chancellor's Office's California Community Colleges Contracted District Audit Manual (CDAM):

- Salaries of Classroom Instructors: 50% Law (421)
- Apportionment for Instructional Service Agreements/Contracts (423)
- State General Apportionment Funding System (424)
- Residency Determination for Credit Courses (425)
- Students Actively Enrolled (426)
- Concurrent Enrollment of K-12 Students in Community College Credit Courses (427)
- Gann Limit Calculation (431)
- Enrollment Fee (432)
- California Work Opportunity and Responsibility to Kids (CalWORKS) – Use of State and Federal Temporary Assistance for Needy Families (TANF) Funding (433)
- Open Enrollment (435)
- Student Fees – Instructional Materials and Health Fees (437)
- Economic and Workforce Development (473)
- Extended Opportunity Programs and Services (EOPS) (474)
- Disabled Student Programs and Services (DSPS) (475)
- Cooperative Agencies Resources for Education (CARE) (477)
- Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs (478)
- To Be Arranged Hours (TBA) (479)

Management is responsible for the Los Angeles Community College District's (the District) compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, except for findings S-11-01 through S-11-09 described in the accompanying schedule of state findings and recommendations, the Los Angeles Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2011.

This report is intended solely for the information and use of the District's management, the Board of Trustees, Audit Committee, and others within the District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the California Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez + Company LLP

Los Angeles, California
December 7, 2011

ADDITIONAL INDEPENDENT AUDITORS’ REPORTS

THIS PAGE LEFT INTENTIONALLY BLANK

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the basic financial statements of the Los Angeles Community College District (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the District's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as item FS-11-01 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-10-02 through FS-10-05 to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's update to the findings identified in our previous year's audits are described in the accompanying schedule of prior year findings. We did not audit the District's response and update, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 15, 2012

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

Compliance

We have audited the compliance of the Los Angeles Community College District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (the Compliance Supplement) that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011, except the requirements discussed in the second paragraph of this report. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We did not audit the District's compliance with the requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan Program described in the Compliance Supplement. Those requirements govern functions performed by Affiliated Computer Services, Inc. (ACS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ACS's compliance with the requirements governing the functions that it performs for the District for the year ended June 30, 2011 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ACS's compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion the Los Angeles Community College District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2011.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings F-11-01 through F-11-07.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments in the Student Financial Assistance Cluster: Federal Perkins Loan Program as described in the Compliance Supplement are performed by ACS. Internal control over compliance related to such functions for the year ended June 30, 2011 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide. Our report does not include the results of the other accountants' testing of ACS's internal control over compliance related to such functions.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the entity's internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the District's management, Board of Trustees, Audit Committee, and management, and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez + Company LLP

Los Angeles, California
December 7, 2011

THIS PAGE LEFT INTENTIONALLY BLANK

VASQUEZ & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
801 South Grand Avenue, Suite 400 ▪ Los Angeles, CA 90017-4646 ▪ Ph. (213) 629-9094 ▪ Fax (213) 996-4242 ▪ www.vasquezcpa.com

Independent Auditors' Report on Schedule of Expenditures of Federal Awards

The Honorable Board of Trustees
Los Angeles Community College District
Los Angeles, California:

We have audited the accompanying schedule of expenditures of federal awards of the Los Angeles Community College District (the District) for the year ended June 30, 2011. This schedule is the responsibility of the District's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of expenditures of federal awards is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures of federal awards, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the federal expenditures of the Los Angeles Community College District for the year ended June 30, 2011, in conformity with U.S. generally accepted accounting principles.

This report is intended solely for the use of the Board of Trustees, management, and the federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Vasquez + Company LLP

Los Angeles, California
December 7, 2011

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

THIS PAGE LEFT INTENTIONALLY BLANK

(1) Summary of Auditors' Results

Basic Financial Statements

(a) The type of report issued on the basic financial statements: **Unqualified**.

(b) Internal control over financial reporting:

- Material weakness(es) identified: **Yes. See item FS-11-01.**
- Significant deficiencies identified that are not considered to be material weaknesses: **Yes. See items FS-11-02 through FS-11-05**.

(c) Noncompliance, which is material to the basic financial statements: **No**.

Federal Awards

(d) Internal control over major programs:

- Material weakness(es) identified: **No**.
- Significant deficiencies identified that are not considered to be material weaknesses: **None**.

(e) The type of report issued on compliance for major programs:

Student Financial Assistance Cluster – **Unqualified**.

TRIO Cluster – **Unqualified**.

Career and Technical Education (CTE) Basic Grants to States (Perkins IV) – **Unqualified**.

Higher Education Institutional Aid – **Unqualified**.

Temporary Assistance for Needy Families (TANF) Cluster – **Unqualified**.

Workforce Investment Act (WIA) Cluster – **Unqualified**.

(f) Any audit finding that is required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes**.

(g) Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**.

(Continued)

(h) Major programs:

U.S. Department of Education

- Student Financial Assistance Cluster:

CFDA 84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)
CFDA 84.033	Federal Work-Study Program (FWS)
CFDA 84.038	Federal Perkins Loans (FPL)
CFDA 84.268	Federal Direct Student Loans (DIRECT LOAN)
CFDA 84.063	Federal Pell Grant Program (PELL)
CFDA 84.375	Academic Competitiveness Grant (ACG)

- TRIO Cluster

CFDA 84.042	Student Support Services
CFDA 84.044	Talent Search
CFDA 84.047	Upward Bound
CFDA 84.066	Educational Opportunity Centers

- Higher Education Institutional Aid – CFDA 84.031
- CTE Basic Grants to States (Perkins IV) – CFDA 84.048

U.S. Department of Health and Human Services

- Temporary Assistance for Needy Families (TANF) Cluster

CFDA 93.558	Temporary Assistance for Needy Families (TANF)
CFDA 93.714	ARRA – Emergency Contingency Funds for TANF: Summer Youth Employment Program

U.S. Department of Labor

- Workforce Investment Act (WIA) Cluster

CFDA 17.258	Los Angeles Fellows Program – WIA Adult
CFDA 17.258	Hospitality Training Partnership
CFDA 17.258	City of Los Angeles High Growth – Healthcare – South LA – Adult
CFDA 17.258	City of Los Angeles High Growth Urban Manufacturing Sector
CFDA 17.258	Hospitality Training Partnership Project
CFDA 17.258	Vocational Bridge Program – Adult
CFDA 17.258	Community Career Development – EMT/EDA
CFDA 17.258	Connections Healthcare Training Academy – Work Readiness
CFDA 17.258	Connections Healthcare Academy – EMT Training
CFDA 17.258	Biotech/Manufacturing High Growth Sector Initiative – Adult
CFDA 17.258	Workforce Investment Act – Com Career Title I – Adult
CFDA 17.258	California Clean Energy Workforce Training Program
CFDA 17.258	California Clean Energy Workforce Training Program – Alternative Fuel
CFDA 17.258	Workforce Investment Act – Adult
CFDA 17.258	WIA Cal GRIP Project
CFDA 17.258	Cal GRIP Urban Teacher Fellowship Program
CFDA 17.258	Green Innovation Challenge Project
CFDA 17.258	Clean Energy Project
CFDA 17.258	Workforce Investment Act – ARRA Adult
CFDA 17.258	Green Jobs Corp Initiative
CFDA 17.259	Cal GRIP
CFDA 17.259	Connections Healthcare Training Academy
CFDA 17.259	YouthBuild Program
CFDA 17.260	Los Angeles Fellows Program – WIA Dislocated
CFDA 17.260	South Los Angeles Healthcare Program
CFDA 17.260	Vocational Bridge Program – Dislocated
CFDA 17.260	Biotech/Manufacturing High Growth Sector Initiative – Dislocated
CFDA 17.260	Workforce Investment Act – Com Career Title I – Dislocated
CFDA 17.278	City of Los Angeles High Growth – Healthcare – South LA – Dislocated
CFDA 17.278	City of Los Angeles High Growth Urban Manufacturing Sector
CFDA 17.278	Workforce Investment Act – Dislocated

(i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **No.**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

FS-11-01: Capital Assets and General Obligation Bond Program

Condition and Context

The Los Angeles Community College District (the District) has contracted with a program management firm to manage the District's General Obligation (G.O.) Bond Construction Projects (Proposition A, Proposition AA, and Measure J) known as BuildLACCD (the Program Manager). The District also utilizes the County of Los Angeles to levy *ad valorem* property taxes on the District's behalf to fund the debt service payments on the G.O. Bonds.

During our testwork over the expenditures charged to the bond programs, we noted the following:

- For Measure J, we noted $3,562,102 of expenditures at Southwest College incorrectly charged to the Measure J program. The expenditures were not included in the list of specific school facilities projects to be funded by Measure J.
- For Measure J, we also noted $142,048 of expenditures related to a Sheriff's station at Mission College were incorrectly charged to the Measure J program. On further investigation, we noted additional expenditures related to the Sheriff's station not included in our sample resulting in a total of $575,859 expenditures incorrectly charged to the project.
- During our testwork over the bond program expenditures, we were informed by the Program Manager that they had noted control deficiencies where expenditures incurred were charged to the incorrect funding source. We noted that management identified $5,341,521 of expenditures incurred in prior years for the Maintenance & Operations Facility at Southwest College were incorrectly charged to the Proposition AA program and should have been charged to the Proposition A program. However, the District was able to transfer expenditures from Proposition A to Proposition AA which were allowable under each bond measure and thus there was no net impact on the total expenditures for each bond program. Other reclassifications were also noted by the Program Manager which resulted in $599,398 net increase of Proposition A expenditures, a $342,114 net decrease in Proposition AA expenditures and a $257,284 net decrease in Measure J expenditures. The Program Manager identified these deficiencies as part of a compensating control implemented during FY2011. As part of the compensating control, the Program Manager performed an analysis and properly reclassified the unallowable expenditures for these identified projects to the appropriate funding source and adjusted the expenditures incorrectly charged to the Bond Construction Projects.
- During our testwork over furniture, fixtures, and equipment (FF&E) purchases, we noted that the District has been capitalizing all of its FF&E purchases as opposed to only capitalizing acquisitions greater than $5,000. Additionally, we noted that the District does not currently reconcile furniture, fixtures, and equipment purchased with bond proceeds to the actual items received and tagged. Since a reconciliation is not performed, there is a risk to the District that subsequent sales of furniture, fixtures, or equipment will not be properly recorded in the District's financial statements. The Bond Constuction Projects have spent approximately $125,857,000 on FF&E since the inception of the Bond Construction Projects.

(Continued)

- During our testwork over potential related party transactions, we noted that there does not appear to be adequate controls in place to reconcile the information included in the Form 700 with vendors or subcontractors utilized by the District. The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District.

  The District requires all employees designated in the Los Angeles Community College District Administrative Regulations as C-5 Categories and C-6 Designated Positions as having procurement oversight responsibility to annually submit a California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District. However, we noted that there do not appear to be adequate controls in place to reconcile the information included in these forms with vendors or subcontractors utilized by the District.

Cause and Effect

Effective July 2007, the District's board of trustees approved the current Program Manager to oversee all bond-funded capital improvements. The Program Manager is responsible for maintenance of the master schedule of work performed, program budgets, accounting, contracting, and development. The unallowable expenditures funded by Proposition AA and Measure J appear to be due to ineffective controls over the review of allowability of expenditures when originally incurred.

Additionally, there do not appear to be adequate controls in place over the receipt, tracking and recording of FF&E. In 2010, the District contracted with a new asset management firm, Annams Systems Corporation, to record and track furniture and equipment purchases funded through bond proceeds as well as furniture and equipment disposals. The information to specifically identify FF&E purchases greater than $5,000 was not being tracked within the Program Manager's records up until August 2010 at which time FF&E purchases were tracked in the District's SAP system. Lack of updating the inventory records into the District's Asset Management system increases the risk of possible loss and misuse of assets.

The lack of controls to reconcile the information included in California Fair Political Practices Commission Statement of Economic Interests (Form 700) and the Board of Trustees Rule XIV, Conflict of Interest Code for the Los Angeles Community College District to the vendors and subcontractors employed as part of the District's bond program appears to be due to resource limitations and the lack of controls in place at the District. Perceived or actual conflicts of interest can exist if this information is not reconciled and reviewed in a timely manner.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent material weaknesses in internal control.

Recommendation

We recommend that the District work with the Program Manager to continue to strengthen the internal controls related to the review of expenditures funded under the bond programs to ensure the expenditures incurred are included in the approved list of projects for each bond. Additionally, the District needs to establish processes and procedures to track, record, and reconcile fixed asset purchases and sales. We understand that the District revised the reporting of FF&E during fiscal 2011 to capitalize only the estimated FF&E purchased with an acquisition costs greater than $5,000. We recommend that these estimated costs be reconciled to the results of the full physical inventory of FF&E that the District is currently having performed. Finally, we recommend that the District strengthen its controls related to the reporting and tracking of potential conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest.

Views of Responsible Officials and Planned Corrective Action

Los Angeles Southwest College

Management noted that expenditures were incorrectly charged to Measure J. However, the District's Bond counsel has ruled that Proposition 39 does not require the District to restore or reimburse such expenditures to the Bond Building Fund. The existing controls placed to review project approval were further strengthened during fiscal year 2009/2010 to address allowability of expenditures. For all new projects, the College Project Managers (CPM) must submit form PMA-0041 to the Program Manager. Form PMA-0041 cites the project scope to be completed as it relates to the Measure J project list. The scope of the project is confirmed by the Program Manager's Program Construction Department, which verifies that the project scope relates to the Measure J project list. The Program Manager's Program Controls team verifies that the project scope relates to the Measure J project list as well as verifying the project budget has been approved by the campus college president. The final Proposed Board Action (PBA) cannot be signed and presented to the Board of Trustees for consideration until the above procedures are completed.

Los Angeles Mission College

Management noted that Measure J funds were used to construct a Sheriff sub-station at Los Angeles Mission College. The project was included on the 2001 Proposition A ballot project list (Proposition A project list), but not on the Measure J project list. As noted above, the District's Bond counsel has ruled that Proposition 39 does not require the District to restore or reimburse the Bond Building Fund. The existing controls for project approval have been strengthened to address the allowability of expenditures as noted above.

Allowability of Bond Expenditures

Management agrees with the observation noted. Management noted a control deficiency prior to fiscal year 2011 where expenditures incurred related to the Bond Construction Projects were used to construct projects not on their respective project list. During fiscal year 2010/2011 a compensating control was implemented to analyze bond expenditures that were charged to incorrect funding sources. Management performed an analysis to determine if the projects are properly funded and expended based on the approved project list from the ballot language approved by the voters. During our review, we noted five projects that used the incorrect funding source. Management has prepared memos to document each of the identified projects. Subsequent to June 30, 2011, Management has posted adjusting journal entries to reclassify expenditures incurred to the correct funding sources. Management will continue to perform the compensating control as it has proven to be effective.

Furniture, Fixtures, and Equipment

The District agrees with the finding and continues to work to improve the process of reconciling and reporting of bond funded furniture, fixtures and equipment (FF&E) purchases to the actual equipment received and tagged as noted below from Phase I to Phase III. In August 2010, the Program Manager went live using the District's accounting system (SAP) for recording all new FF&E purchases, which only capitalizes FF&E acquisitions of $5,000 or greater. Subsequent to August 2010, the District reconciles all new FF&E purchases received and entered into SAP with Program Manager's accounting system.

Annam's Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management consultant to provide the following items; Phase I - Strategic Planning, Phase II - Technology Solution and Implementation and Phase III - Baseline Inventory and Reconciliation.

Currently, the District is performing Phase II and III concurrently in order to expedite the inventory and reconciliation. Completion of Phase III, Baseline Inventory and the Reconciliation is expected to be complete by June 30, 2012. Upon completion of the baseline inventory, a complete reconciliation will be performed between the various systems. The reconciliation will separate all previous FF&E assets of $5,000 or greater for capitalization from the FF&E assets below $5,000 threshold for no capitalization. The completed inventory will be reflected in the District's Asset Management system in SAP which will conclude Phase III. Phase II work will be on-going as technology implementation and system enhancements occur and is expected to be complete by December 31, 2012.

Form 700

The Inspector General researched the practices of other agencies in reconciling Form 700 filings with contract awards. The best solution appears to be moving to e-filing of Form 700's with a connection to the vendor database. Staff has developed a plan for acquisition and implementation of e-filing Form 700's as part of the annual requirement in March, with the corresponding check against contract authorizations going forward.

FS-11-02: Employee Benefits

Condition and Context

During our current year testwork, we noted the following related to the District's accounting for employee benefits:

- There did not appear to be adequate controls in place to ensure that supporting documentation for check requisitions for medical-related employee benefit payments (i.e., payments made to Blue

Shield, Kaiser Foundation, Safeguard Dental, and VSP) were reviewed and approved prior to payments. We noted that the supporting documentation was not included in one of the months selected for testwork.

- There did not appear to be adequate controls in place to ensure that the reconciliation of the SAP workbench reports of employee benefits expenses (e.g., medical-related benefits, retirement-related benefits, and other employee benefits) according to the payroll register agrees to the general ledger in a timely manner. During our testwork, we noted that the information related to medical-related employee benefits that is transferred to the workbench files was not always complete and/or accurate. Errors are sometimes internally detected through a manual review of the data; however, due to the large volume of data, the District's staff are unable to manually review the entire report. Errors are also sometimes detected by either the District's health provider if they are either overpaid or underpaid or by employees if they realize their medical claims are not being paid.

Cause and Effect

The control deficiencies noted above appear to be due to missing reconciliations and reliance of work done by others without requiring documentation to support benefit payments. Given the control exceptions noted, there is a risk that benefit expenses will not be recorded correctly and in accordance with generally accepted accounting principles (U.S. GAAP).

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

Recommendation

We recommend that management strengthen its procedures and internal controls to ensure the following:

- Supporting documentation for benefit payments is reviewed prior to making disbursements.
- Reconciliations are performed of employee benefit data to SAP workbench reports.

Views of Responsible Officials and Planned Corrective Action

For CalPERS medical (Blue Shield, Blue Cross, Kaiser) premium disbursements, our contract requires that each invoice must be paid as it is and it cannot be adjusted because of any updates that had not yet reached CalPERS. Business Services confirms before approving any invoice that the documentation attached to the invoice matches the total being billed.

In order to provide satisfactory documentation of corrections performed during the reconciliation process, Business Services will implement a new procedure to take the Workbench reconciliation monthly reports and every month divide them alphabetically. By giving the same staff person responsibility for the same part of the alphabet each month we will create individual spreadsheets that document the changes were completed and did take effect in the next month with adjusted premium billing.

Payments for Delta Dental and VSP (vision) are not based upon the workbench reconciliation because they are self-insured plans. These are based on the actual expenses submitted by employees and already paid by the provider. Before approving these invoices, a sample of reported expenses will be reviewed to insure the accuracy of the invoices we are paying.

FS-11-03: Risk Management

Condition and Context

During our current year testwork, we noted the following related to the District's workers' compensation and general liabilities:

- There do not appear to be adequate controls in place to ensure the accuracy of the data that is submitted to the actuary used by the District to calculate the estimated workers' compensation and general liability accruals.
- There do not appear to be adequate controls in place to ensure that the firm utilized by the District to process general liability claims is updated in a timely manner related to the status of pending cases related to claims the firm is processing.
- There do not appear to be adequate controls in place over the retention of supporting documentation related to claims being processed by the District's third-party servicer. During our current year testwork, we noted two cases where the District was unable to provide supporting documentation of the information provided to its third-party servicer for open cases.

Cause and Effect

The control deficiencies noted above appear to be due to a lack of review and updating of data submitted to third-party servicers used by the District. Given the control exceptions noted, there is a risk that expenses and related risk management accruals will not be recorded correctly and in accordance with U.S. GAAP.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above in aggregate represent a significant deficiency in internal control.

(Continued)

Recommendation

We recommend that management strengthen its procedures and internal controls as follows:

- The District should implement controls to review the data provided by the third-party servicers for completeness and accuracy before it is provided to the District's actuary. Additionally, the District should strengthen its controls over the retention of documentation that supports open claims and cases so that information will be available for reference to validate the claim information before it is forwarded to the District's actuary.
- The District should strengthen its controls over the updating of case information to its general liability third-party servicer.

Views of Responsible Officials and Planned Corrective Action

Management will implement these controls on the review of data provided by third-party servicers (TPAs):

- For General Liability – on a monthly basis the Assistant Admin Analyst will review a sample of the TPA's monthly Loss Run of all Open Claims for the general liability claims to be sure their data matches what we have in our internal files. A signed and dated copy of this review will be kept on file. Closed internal documentation files are moved to storage and maintained for 3 years per the retention policy established by the Board of Trustees.
- For Workers Compensation – The Workers Comp Specialist will review a sample of closed claims from the TPA's monthly Loss Run to be sure their data files status matches our internal records. On the last working day of each month a signed and dated copy of the review will be kept on file. Closed internal documentation files are moved to storage and retained for 3 years per the retention policy established by the Board of Trustees,

By doing these monthly reviews for discrepancies in completeness and accuracy, the data the third-party provider captures will have been reviewed in advance of the loss run request that is sent to the District's actuary.

FS-11-04: Information Technology (IT)

Condition and Context

During our review of the District's IT controls during the fiscal 2007 audit, we identified control weaknesses in the areas of security and change management. These included the sharing of user accounts, extensive superuser access and informal change management processes. These issues were determined to be significant deficiencies in the District's system of internal controls. During the fiscal 2011 audit, we evaluated the progress of the controls implemented to remediate the weaknesses identified during the audit.

The District has made progress in remediating the previously identified issues, however control weaknesses have not been remediated to a level where general internal controls can be relied upon for audit purposes and the significant deficiencies continued to exist during fiscal year 2011.

While the District implemented the Security Weaver tool to control access to the SAP environment, and a formal process for change management and the Mercury Quality Center application to manage its change

(Continued)

management process, certain legacy control weaknesses continue to exist. The sharing of user accounts in the database environment and operating system underlying SAP, extensive administrative access in SAP and weaknesses in the change management process were found during the 2011 audit.

Cause and Effect

During 2006-2007, the District completed post implementation activities for a new Enterprise Resource Planning System (SAP). At that time, management indicated that certain access controls were not fully implemented and certain duties needed to be shared. While not ideal from a control standpoint, this also is not unusual for organizations that must continue to support business operations as complex systems implementations are being completed. However, weaknesses in the IT controls can significantly compromise both the security and accuracy of the data within a system and it is important that adequate controls are implemented.

With regard to change management, once a system is operational, further changes to the system are usually required to meet the business' developing needs. Such changes should be subjected to controls as formal as those used in the development or implementation of a new system. If there are weaknesses in managing system changes, the benefits originally gained by controlling the system's implementation can be quickly lost as subsequent changes are made.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above continue to represent a significant deficiency in internal controls.

Recommendation

We recommend that management evaluate and define the IT internal controls which Security Weaver and the Mercury Quality Center were implemented to support; starting with a baseline of appropriate users with administrative and other elevated levels of access within SAP, the underlying database and operating systems. Each user should be assigned a unique user ID, whenever possible. In the rare cases where user IDs must be shared, controls should be established to monitor their usage. Additionally controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities. We recommend that the evaluation of the controls and baseline of users and their access rights be completed as soon as possible.

Views of Responsible Officials and Planned Corrective Action

1. We recommend that management evaluate and define the IT internal controls which Security Weaver and the Mercury Quality Center were implemented to support

Response: Security Weaver access control has been implemented for IT staff. Mercury Quality Center has also been implemented to record and process issues and application changes.

2. Starting with a baseline of appropriate users with administrative and other elevated levels of access within SAP, the underlying database and operating systems.

   Response: We agree with the auditors' comments, and the following action will be taken to adjust access. Note that a review was conducted in 2006/2007 as recommended regarding IT personnel and system access was adjusted as appropriate. We recognize there is more work to do to adjust access for non IT personnel that likely received higher level access as part of the initial HR implementation during the system stabilization period. The SAP Security Manager will conduct a complete a review of access that falls under the IT domain and will make adjustments that are deemed appropriate to remove access that is deemed as not required based on business needed or where access is deemed appropriate to document the business need and establish a quarterly review to insure continued access is needed. The quarterly review will be implemented starting the end of March 2012. Furthermore, access to underlying databases and operating systems will be restricted to technical staff responsible for supporting these systems. Generic superuser or sa accounts will be restricted and used only when unique user accounts are unable to perform key system level functions.

3. Each user should be assigned a unique user ID, whenever possible. In the rare cases where user IDs must be shared, controls should be established to monitor their usage.

   Response: We agree with the auditors' comments, the District limits share access. Where access is shared and there is a legitimate need for such, appropriate controls are in place to monitor usage. However, the following improvements will be made; access will be paired down to the bare minimum. A quarterly review will be conducted by the SAP Security Manager to determine if the access is still appropriate and if any adjustments need to be made. An initial review will be completed by the end of March 31, 2012 and adjustments will be made as appropriate. System logs and other monitoring tools will be used to perform monitoring and system auditing functions.

4. Additionally controls should be established to periodically review users and their access rights to validate the access rights assigned to users continue to be commensurate with their current job responsibilities.

   Response: A clarification is needed to correct a miss understanding of how accounts are provisioned using SAP. For example, the vast majority of user accounts are provisioned via SAP Human Resources by the District’s Business Departments and Operational Management without IT involvement. I.e. Provisioning in SAP HR is linked to a position and not to a person. When the position is vacated or filled – the provisioning of user access is handled by the business approvals recorded in SAP HR. Security Weaver Access Controls is used to monitor IT access for application support. For Basis Support – IT management oversight is provided by leads and the IT Basis Manager using audit reports and periodic reviews. In addition a quarterly review will take place as identified in item 2 above. Access controls will be adjusted as part of the scheduled review process.

5. We recommend that the evaluation of the controls and baseline of users and their access rights be completed as soon as possible.

Response: In 2006/2007 a review was completed and access was adjusted at that time to remove access where it was deemed not required. As identified in item 4 above, the vast majority of user access is provisioned via SAP HR based on position approval by the business. IT is not involved in this approval process. As part of the quarterly review process identified in item 2, and 4 above access identified as within the IT domain will be reviewed and adjusted as appropriate on a quarterly basis. For non IT personnel a baseline review project will be proposed to Senior Management for follow up.

FS-11-05: Financial Reporting

Condition and Context

During our audit, we noted certain adjustments and reclassifications that were required to the District's financial statements which included a $300.0 million gross up on the statement of cash flows that had to be eliminated and disclosed at the bottom of the statement as a non-cash transaction. None of the reclassifications or adjustments impacted the total net assets at June 30, 2011 or the change in net assets or change in cash and cash equivalents for the year ended June 30, 2011.

Cause and Effect

The adjustments related to the financial statements appear to be due to misunderstanding of certain pronouncements to present financial amounts in accordance with U.S. GAAP. The current design of controls related to the presentation of financial transactions may lead to certain instances of financial information that do not conform to U.S. GAAP.

Criteria

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We believe the control deficiencies described above represent a significant deficiency in internal controls.

Recommendation

We recommend management reevaluate the controls in place over financial reporting to ensure that the issues leading to the adjustments noted above are included within their monthly and annual financial transaction review processes.

Views of Responsible Officials and Planned Corrective Action

The District concurs with the findings. The cash flow correction noted above did not impact total net assets or the change in cash equivalents since it was a non-cash, non-routine transaction and only affected the statement of cash flows. The District will strengthen its internal controls over financial reporting to help ensure the District's financial statements are reported in accordance with U.S. GAAP.

(Continued)

(3) Summary of Current Year Findings and Questioned Costs Relating to Federal Awards

		Finding numbers
1	Student Financial Assistance – Special Tests and Provisions – Late Payment of Post-withdrawal Disbursements	F-11-01
2	Student Financial Assistance – Special Tests and Provisions – Incorrect Calculation of Return of Title IV Funds	F-11-02
3	Student Financial Assistance – Reporting – Late Reporting of Overpayment to National Student Loan Database System (NSLDS)	F-11-03
4	TRIO Cluster – Eligibility of Student Participants	F-11-04
5	TRIO Cluster – Procurement – Procurement Records	F-11-05
6	CTE – Basic Grants – Equipment Management – Policies and Procedures	F-11-06
7	Higher Education – Equipment Management – Policies and Procedures	F-11-07

(Continued)

Finding F-11-01 – Special Tests and Provisions – Late Payment of Post-withdrawal Disbursements

Federal Program Information

Federal Catalog Number:	84.063
Federal Program Name:	Federal Pell Grant
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	N/A
Campus:	Los Angeles East College
Federal Award Number and Award Year:	OPE ID No. 0222600, July 1, 2010 to June 30, 2011, Federal Pell Grant ID: P063P105263

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General Provisions – Subpart B – Standards for Participation in Title IV, HEA Programs, Section 668.22(a)(6)(ii)(B)(1).

The institution must disburse directly to a student any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew, as defined in paragraph (l)(3) of this section.

Condition Found

During our testing of the District's compliance with the timely payment of post-withdrawal disbursements, we noted 3 out of 85 students selected for testing were not paid within the required time frames. Post-withdrawal disbursements are required to be disbursed to students no later than 45 days after the date the District determined that the student withdrew. Details of exceptions are as follows:

- 3 exceptions (from Los Angeles East College) were disbursed after 253 to 266 days from determination date.

Questioned Costs

$458.87

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure timely payment of post-withdrawal disbursements.

Recommendation

We recommend that the District implement stricter controls to ensure that post-withdrawal disbursements are made on a timely basis.

(Continued)

Views of Responsible Officials and Planned Corrective Actions

The District has centralized and automated the calculation and notification to students of post-withdrawal disbursements under R2T4 for 2011 – 2012.

Finding F-11-02 – Special Tests and Provisions – Incorrect Calculation of Return of Title IV Funds

Federal Program Information

Federal Catalog Number:	84.033
Federal Program Name:	Federal Pell Grant
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	N/A
Campus:	Los Angeles City College
Federal Award Number and Award Year:	OPE ID No. 00122300, July 1, 2010 to June 30, 2011 Federal Pell Grant ID: P063P100033

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General Provisions – Subpart B – Standards for Participation in Title IV, HEA Programs, Section 668.22(a)(5).

If the total amount of Title IV grant or loan assistance, or both, that the student earned as calculated under paragraph (e)(1) of this section is greater than the total amount of Title IV grant or loan assistance, or both, that was disbursed to the student or on behalf of the student in the case of a PLUS loan, as of the date of the institution's determination that the student withdrew, the difference between these amounts must be treated as a post-withdrawal disbursement in accordance with paragraph (a)(6) of this section and Section 668.164(g).

Condition Found

During our testing of the District's compliance with the Return of Title IV funds, we noted that the calculation of post-withdrawal disbursement was incorrect in 1 out of 60 students selected for testing due to the use of incorrect number of days attended.

- 1 exception (from Los Angeles City College) did not include the days attended during the winter session.

Questioned Costs

$194

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure accuracy of the data used in the Return of Title IV calculation.

Recommendation

We recommend that the District implement stricter controls to ensure that the data used in the calculation of Return of Title IV funds is correct and accurate.

Views of Responsible Officials and Planned Corrective Actions

The District has centralized and automated the calculation and notification to students of post-withdrawal disbursements under R2T4 for 2011 – 2012.

Finding F-11-03 – Reporting – Late Reporting of Overpayment to National Student Loan Database System (NSLDS)

Federal Program Information

Federal Catalog Number:	84.033
Federal Program Name:	Federal Pell Grant
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	N/A
Campus:	West Los Angeles College
Federal Award Number and Award Year:	OPE ID No. 00859600, July 1, 2010 to June 30, 2011; Federal Direct Student Loan ID: P063P105262

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 668 – Student Assistance General provisions, Subpart B. Standards for Participation in Title IV, HEA Programs, Sec. 668.22 Treatment of Title IV funds when a student withdraws, (h) Return of unearned aid, responsibility of the student (4)(iv).

An institution must refer to the Secretary, in accordance with procedures required by the Secretary, an overpayment of Title IV, HEA grant funds owed by a student as a result of the student's withdrawal from the institution if:

(A) The student does not repay the overpayment in full to the institution, or enter a repayment agreement with the institution or the Secretary in accordance with paragraph (h)(4)(i) of this section within the earlier of 45 days from the date the institution sends a notification to the student of the overpayment, or 45 days from the date the institution was required to notify the student of the overpayment;

(B) At any time the student fails to meet the terms of the repayment agreement with the institution entered into in accordance with paragraph (h)(4)(i)(B) of this section; or

(C) The student chooses to enter into a repayment agreement with the Secretary.

Condition Found

Reporting to NSLDS of student overpayment for 1 out of 60 samples selected was not done within 45 days from the date the District notified the student.

- 1 exception (from West Los Angeles College) was reported to NSLDS within 92 days from the date the District notified the student.

Questioned Costs

$643.50 out of $7,754 sampled.

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure timely reporting of overpayments to NSLDS.

Recommendation

We recommend that the District implement stricter controls to ensure that overpayments are reported to NSLDS on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

West Los Angeles College hired additional staff in the Financial Aid Office, including a Financial Aid Supervisor to monitor overpayment procedures. The District has established a master calendar for overpayment reporting and conducted training workshops for Managers, Supervisors, Accountants, and Technicians.

Finding F-11-04 – Eligibility of Student Participants

Federal Program Information

Federal Catalog Number:	84.047
Federal Program Name:	TRIO Cluster: Upward Bound
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	N/A
Campus:	Los Angeles Southwest College
Federal Award Number and Award Year:	Award Number P047A080937-10, September 1, 2010 to August 31, 2012

(Continued)

Criteria or Requirement

Title 34, Education, Chapter VI – Office of Postsecondary Education, Department of Education, Part 645 – Upward Bound Program; Subpart A – General; Sec. 645.3 An individual is eligible to participate in a Regular, Veterans, or a Math and Science Upward Bound project if the individual meets all of the following requirements:

a) (1) Is a citizen or national of the United States; (2) Is a permanent resident of the United States; (3) Is in the United States for other than a temporary purpose and provides evidence from the Immigration and Naturalization Service of his or her intent to become a permanent resident; (4) Is a permanent resident of Guam, the Northern Mariana Islands, or the Trust Territory of the Pacific Islands; or (5) Is a resident of the Freely Associated States – the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau.

b) Is (1) A potential first-generation college student; (2) A low-income individual; or (3) An individual who has a high risk for academic failure.

c) Has a need for academic support, as determined by the grantee, in order to pursue successfully a program of education beyond high school.

d) At the time of initial selection, has completed the eighth grade and is at least 13 years old but not older than 19.

Condition Found

During our testing of eligibility of TRIO participants, we noted that 1 student at Los Angeles Southwest College (out of 30 total students sampled) did not meet the citizenship eligibility requirement.

Possible Asserted Cause and Effect

Adequate controls are not in place to ensure that students participating in the Upward Bound program meet the citizenship eligibility requirements.

Questioned Costs

N/A

Recommendation

We recommend that the District implement stricter controls to ensure that student participants meet the citizenship eligibility requirements and adequate supporting documentation is maintained in the participant files.

Views of Responsible Officials and Planned Corrective Actions

Dean of TRIO Programs required the TRIO Upward Bound program to review all participant files for 2010-11 and previous fiscal years to determine if any other noncitizen/resident was served. As a result of the review of the files, Upward Bound did not find other noncitizen/nonresident participants served by the project. In addition, Dean of TRIO will require TRIO Upward Bound staff to check residency/citizenship status on the project application. If student checks off noncitizenship on the application, student will not be allowed to receive project services. Students who are in the process of receiving citizenship must submit verification enrollment before they are enrolled in the program. As a result of the audit, Upward Bound was able to identify this issue. Subsequently, Upward Bound Coordinator contacted the student regarding this issue and provided advisement. The student was referred to the Bridges to Success Center at Los Angeles Southwest College (LASC). The student was able to meet with a technician from the office regarding the citizenship/residency process. The student attended USCIS Information session at LASC in October 2011. The student will provide the program with a copy of the processing number.

Finding F-11-05 – Procurement – Procurement Records

Federal Program Information

Federal Catalog Number:	84.047
Federal Program Name:	TRIO Cluster – Upward Bound
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	N/A
Campus:	Los Angeles Southwest College
Federal Award Number and Award Year:	Award Number P047A080937-10, September 1, 2010 to August 31, 2012

Criteria or Requirement

CFR 34 – EDUCATION, PART 74 – ADMINISTRATION OF GRANTS AND AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION, HOSPITALS, AND OTHER NON-PROFIT ORGANIZATIONS, Subpart C – Post-Award Requirements

Institutions of higher education, hospitals, and other nonprofit organizations shall use procurement procedures that conform to applicable federal law and regulations and standards identified in OMB Circular A-110. Further, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C Section 74.45* Cost and Price Analysis states: "Some form of cost or price analysis must be made and documented in the procurement files in connection with every procurement action." Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability, and allowability.

Section 74.46 Procurement records further state "Procurement records and files for purchases in excess of the small purchase threshold" must include the following at a minimum:

(a) Basis for contractor selection;

(b) Justification for lack of competition when competitive bids or offers are not obtained; and

(c) Basis for award cost or price.

Condition Found

Written quotes were not provided for 1 purchase amounting to $9,546 (of the 14 total nonpayroll samples) at the Los Angeles Southwest College. The College provided a copy of the tabulation but there was no copy of the written vendor quotes in the files to support the tabulation.

Questioned Costs

$9,546 of $40,510 procurement transactions sampled.

Possible Asserted Cause and Effect

Adequate monitoring controls do not appear to be in place to ensure that campuses are complying with the cost and price analysis documentation requirements.

Recommendations

We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with the cost and price analysis requirements.

Views of Responsible Officials and Planned Corrective Actions

The TRIO Programs will secure three written quotes from vendors. Upward Bound secured verbal quotes that were transferred on the Cost Analysis Form provided by the District. In the future, the written quotes will be attached to the form.

Finding F-11-06 – Equipment Management – Policies and Procedures

Federal Program Information

Federal Catalog Number:	84.048
Federal Program Name:	CTE – Basic Grants to States
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	State of California Community College Chancellor's Office
College:	Los Angeles Pierce College and Los Angeles Valley College
Federal Award Number and Award Year:	Agreement No. 10-C01-027; July 1, 2010 to June 30, 2011

Criteria or Requirement

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C – Post-Award Requirements – Property Standards, Section 0.34 Equipment (f).*

(Continued)

The recipient's property management standards for equipment acquired with federal funds and federally owned equipment shall include all of the following:

1. Equipment records shall be maintained accurately and shall include the following information:

   (i) A description of the equipment

   (ii) Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number

   (iii) Source of the equipment, including the award number

   (iv) Whether title vests in the recipient or the federal government

   (v) Acquisition date (or date received, if the equipment was furnished by the federal government) and cost

   (vi) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government)

   (vii) Location and condition of the equipment and the date the information was reported

   (viii) Unit acquisition cost

   (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share

2. A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

3. Equipment owned by the federal government shall be identified to indicate federal ownership.

4. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the federal government, the recipient shall promptly notify the federal awarding agency.

Condition Found, Including Perspective

During control procedures performed over equipment management, we noted that inadequate controls over equipment management were in place at Los Angeles Pierce College and Los Angeles Valley College. The following control deficiencies were noted:

- 1 out of 5 samples (from Los Angeles Pierce College) selected for equipment inspection was not tagged with CTE tags.

- At Los Angeles Pierce College, the condition of the equipment was missing from the equipment listing as required by the federal regulations.
- At Los Angeles Valley College, there was limited evidence that the equipment listing was reconciled to the District's accounting records (SAP).

Questioned Costs

Of the $38,273 equipment sampled for physical inspection, equipment costing $5,739 was not properly tagged.

Possible Asserted Cause and Effect

The District does not have a policy that requires its campuses to reconcile their inventory of equipment to the cumulative listing of assets maintained by the District office nor does it require physical inventories of equipment annually or biannually. Not performing physical inventories and reconciling physical equipment to the District cumulative asset listing increases the risk of theft or misappropriation of program equipment and is in violation of grantor requirements and federal regulations.

Recommendations

We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking and physical inventories and reconciliations to promote accurate reporting and reduce the risk of misappropriation of program assets. In addition, a certification be added to the current equipment listing to indicate that the equipment was physically inspected on the date indicated and the information in the equipment listing is accurate.

Views of Responsible Officials and Planned Corrective Actions

At Los Angeles Valley College, going forward, the equipment inventory list will include the following certification statement to certify the accuracy of the equipment listing based on physical inspection and reconciliation with SAP report, which will be filed with the equipment listing. The said certification will be signed by the person doing the certification as well as the area Dean.

At Los Angeles Pierce College, when the equipment arrives on campus, the receiving department tags the equipment with both a District asset ID tag and a Program ID tag. In addition to tagging equipment upon delivery, when equipment is loaned out to students for projects, upon return of the equipment, staff will check equipment to ensure that the tags are still intact. Lastly, the College will verify at the time of the biannual inventory that the equipment bears the appropriate Program ID tag.

The College currently maintains a database of equipment purchases using Perkins funds, which include all OMB required data, including the condition of equipment. For all new equipment, the College will identify the condition as new and in good condition when the equipment initially arrives.

In addition to tagging equipment upon delivery, at the time of receiving, departments will review throughout the year that the tags are still in place and verify at the time of inventory that the equipment bears the appropriate Program ID tag. The College currently maintains a database of equipment purchases using Perkins funds, which includes all OMB-required data, including the condition of the equipment. For all new equipment, the College will identify the condition as new and in good condition.

Finding F-11-07 – Equipment Management – Policies and Procedures

Federal Program Information

Federal Catalog Number:	84.031
Federal Program Name:	Higher Education Institutional Aid
Federal Agency:	U.S. Department of Education
Pass-Through Entity:	N/A
College:	Los Angeles Harbor College
Federal Award Number and Award Year:	Award Number P031S090008; October 1, 2009 to September 30, 2014

Criteria or Requirement

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C – Post-Award Requirements – Property Standards, Section 0.34 Equipment (f).*

The recipient's property management standards for equipment acquired with federal funds and federally owned equipment shall include all of the following:

1. Equipment records shall be maintained accurately and shall include the following information:

   (i) A description of the equipment

   (ii) Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number

   (iii) Source of the equipment, including the award number

   (iv) Whether title vests in the recipient or the federal government

   (v) Acquisition date (or date received, if the equipment was furnished by the federal government) and cost

   (vi) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government)

   (vii) Location and condition of the equipment and the date the information was reported

   (viii) Unit acquisition cost

(ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share

2. A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

3. Equipment owned by the federal government shall be identified to indicate federal ownership.

4. A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented; if the equipment was owned by the federal government, the recipient shall promptly notify the federal awarding agency.

Condition Found

During control procedures performed over equipment management, we noted that inadequate controls over equipment management were in place at Los Angeles Harbor College. The following control deficiencies were noted:

- 1 out of 5 samples selected for equipment inspection was not tagged with HE tags.
- There were required data elements missing from the equipment listing, namely cost and condition of the equipment.
- There was limited evidence that the equipment listing was reconciled with the District's accounting records (SAP).

Questioned Costs

Of the $182,183 of equipment sampled for physical inspection, equipment costing $13,995 was not properly tagged.

Possible Asserted Cause and Effect

The District does not have a policy that requires its campuses to reconcile their inventory of equipment to the cumulative listing of assets maintained by the District office nor does it require physical inventories of equipment annually or biannually. Not performing physical inventories and reconciling physical equipment to the District cumulative asset listing increases the risk of theft or misappropriation of program equipment and is in violation of grantor requirements and federal regulations.

Recommendations

We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed. These policies should include appropriate identification and tracking and physical inventories and reconciliations to promote accurate reporting and reduce the

(Continued)

risk of misappropriation of program assets. In addition, a certification should be added to the current equipment listing to indicate that the equipment was physically inspected on the date indicated and the information in the equipment listing is accurate.

Views of Responsible Officials and Planned Corrective Actions

The Title V program will create and update a new equipment inventory list that will include the categories "Cost and Condition." The equipment inventory list will include an update to the cost and condition of existing equipment and future inventory items will include this information as well. The planned implementation date of this corrective action is December 31, 2011.

The Title V program will reconcile equipment listed as inventory with SAP. The program will work with the College's administrative services office to obtain the necessary data to accurately reconcile the equipment inventory. The planned implementation date of this corrective action is December 31, 2011.

The Title V program will identify and tag equipment item HP4300 6TB SATA St per OMB Circular A-110 regulation to include LACCD and Title V HIS tracking numbers. The program will work with information Technology and the College's receiving supervisor to obtain the necessary identification tags and update the equipment inventory list. The planned implementation date of this corrective action is December 31, 2011.

SCHEDULE OF STATE FINDINGS AND RECOMMENDATIONS

THIS PAGE LEFT INTENTIONALLY BLANK

(1) Summary of State Findings and Recommendations

		Section	Finding numbers
1	State General Apportionment Funding – Census Reporting	424	S-11-01
2	Concurrent Enrollment of K-12 Students in Community College Credit Courses – Teacher Minimum Qualifications	427	S-11-02
3	Concurrent Enrollment of K-12 Students in Community College Credit Courses – Approvals of Students to Attend Courses	427	S-11-03
4	To Be Arranged Hours	479	S-11-04
5	Cooperative Agencies Resources for Education (CARE) – Student Eligibility	477	S-11-05
6	Extended Opportunity Programs and Services (EOPS) – Counseling and Advisement	474	S-11-06
7	Disabled Student Programs and Services (DSPS) – Student Educational Contract (SEC)	475	S-11-07
8	Disabled Student Programs and Services (DSPS) – Student Eligibility	475	S-11-08
9	Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs – Policies and Procedures	478	S-11-09

S-11-01 – State General Apportionment Funding (Section 424) – Census Reporting

State Criteria

Each district shall have the ability to support timely, accurate, and complete information for the following workload measures used in the calculation of State General Apportionment:

(1) Credit Full-Time Equivalent Students (FTES) in weekly census, daily census, actual hours of attendance, and apprenticeship courses.

(2) Noncredit FTES in actual hours of attendance and distance education courses:

- CCR, Title 5, Sections 58003.1, 58003.4, 58020, 58022, 58024, and 58030.
- Education Code Section 8152.
- Labor Code Section 3074.
- Data Element Dictionary for California Community Colleges Management Information System.

Identified Condition

During the testwork performed to ensure the accuracy of the FTES generated by the student information system (SIS), we reviewed the census/exclusion rosters to ensure that the FTES per the roster agreed to the SIS report. We noted that the FTES per the SIS report for 17 of 70 class sections sampled did not agree with Los Angeles Community College District (the District) supporting documentation. These differences consisted of the following:

- 17 class sections at Mission (6), City (6), Trade Tech (4), and Valley (1) colleges where the rosters supporting the FTES per SIS report cannot be located.
- 3 class sections at City (1) and Mission (2) colleges where the FTES per the census roster did not agree with the SIS report. The difference was mainly attributed to timing from when the rosters were printed to the census date. As the census roster is printed several days prior to the census date, the students listed on the roster may not represent the students active in the class at census date. There may be students in the class that were not in the roster or vice versa. However, the District was unable to provide add slips to support the change in the number of students after the rosters were printed but before the census date.

We noted that the District monitoring controls over document retention were not sufficient to ensure that rosters and adjustment documentation (i.e., student add permits) were retained to support apportionment claimed. As such, it appears that the District overstated the number of FTES on the SIS report.

Total reported FTES on the 320 report submitted to the State for the fiscal year ended June 30, 2011 amounted to 109,350.

Full-Time Equivalent Students (FTES)

75.7036 FTES of the 335.83566 FTES sampled.

Questioned Costs

$345,574.06 (75.7036 FTES exceptions x $4,564.83)

Recommendation for Corrective Action

We recommend that the District strengthen its control processes to help ensure that FTES per the SIS report are adequately supported, accurate, and complete. The District should strengthen controls to ensure that census rosters, add slips, and other supporting documentation are properly retained.

District Response

Los Angeles City College's Admission Office plans to include in the daily work of admissions officer the receipt and check of received census rosters. With this, they would be able to track the census rosters as submitted to them and review the rosters accordingly. They plan to do regular spot checks of the census rosters received and review if the rosters were correctly completed by the Faculty. The Admissions and Records office has also been coordinating with the new chair of Academic Affairs, Mary Callahan to ensure that rosters required to be submitted to the Admissions & Records department are sent accordingly. The college is committed in continuously improving the accuracy of their record-keeping.

Los Angeles City College, currently scans received add cards. However to further strengthen control, they plan to index by batch the scanning of the add cards. Also, proper record-keeping by student ID numbers will be done for easier location of scanned documents.

Findings were discussed with the LAMC Vice President of Academic Affairs. The Admissions & Records plan of action is to provide both administrators and department chairs with a list of any missing census rosters starting Fall 2011 semester. The cover memo for census rosters will be revised to explain in more detail the requirements of faculty. The importance of rosters will be emphasized in specific discussions during faculty meetings such as Faculty Academy, Flex Day and at the start of every semester. The Admissions & Records department is committed to improve compliance with state audit requirements and is reviewing staff to accommodate our compliance needs.

Los Angeles Mission College, also plans to scan the add cards received into the current practice of scanning rosters. Also, we plan to perform a more accurate review of documents received by our office.

Los Angeles Trade-Technical College will improve communication between the Admissions & Records Office and the Office of Academic Affairs with regard to record-keeping of TBA attendance rosters. This will include the Admissions & Records Office conducting a review for late and/or missing TBA attendance rosters and initiating contact with instructors directly to obtain them. If needed, respective Department Chairs and Deans will be notified to assist with the collection of missing TBA attendance rosters.

Los Angeles Valley College will aim to have the census rosters converted to electronic format when they adopt the new SIS. The electronic format will be easier to process and collect. Currently, census rosters are now the only paper rosters they collect. All other rosters are collected electronically.

S-11-02 – Concurrent Enrollment of K - 12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications

State Criteria or Requirement

Employees of the District who teach credit courses must meet the minimum qualifications for community college instructors. In most cases, the minimum qualification is the possession of a master’s degree in the discipline of the instructor’s assignment, or the equivalent.

- CCR, Title 5, Section 53430

Identified Condition

During testwork performed to ensure that instructors met minimum qualification requirements to teach class sections with concurrently enrolled K-12 students, we noted the documentation supporting minimum qualifications cannot be located for the 2 instructors from East LA College and Trade Tech colleges of the 51 total instructors sampled.

There appeared to be a lack of controls in place to ensure that documentation supporting minimum qualifications of instructors were properly retained.

Full-Time Equivalent Students (FTES) Impact

14.750 FTES of the 451.825 FTES sampled.

Questioned Costs

$67,331.24 (14.750 FTES exceptions x $4,564.83)

(Continued)

Recommendation for Corrective Action

We recommend that the District strengthen the controls to ensure that documentation supporting instructor qualifications are complete and properly retained in the personnel files.

District Response

The District is collecting best practices from districts throughout the State to ensure that all faculty hired meet minimum qualifications and with retention of supporting documentation.

In 2009, HR began tracking all new hires District Wide in a database and now in SAP. We compare new hire packets received to new hires in SAP and can determine which employees were hired without filling out the required paperwork.

Developed report from Protocol to SAP. As instructors are assigned classed in Protocol the classed are being check against SAP IT9022 minimum qualifications screen to ensure that the discipline being scheduled has been cleared by HR staff in IT9022. If there is a match of classes and IT9022 the employee is cleared. If there is a mismatch, a data report of all mismatches will be generated and sent to the colleges for review. HR will continue to offer training to colleges regarding MQ review and certification. Our focus will be with New Hires as they have no records in SAP. Process maps were developed with CFMG, Inc. and are available upon request

S-11-03 – Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses

State Criteria or Requirement

The governing board of a school district may determine which pupils would benefit from advanced scholastic or vocational work. The intent of this section is to provide educational enrichment opportunities for a limited number of eligible pupils, rather than to reduce current course requirements of elementary and secondary schools, and also to help ensure a smoother transition from high school to college for pupils by providing them with greater exposure to the collegiate atmosphere. The governing board may authorize those pupils, upon recommendation of the principal of the pupil's school of attendance, and with parental consent, to attend a community college during any session or term as special part-time or full-time students and to undertake one or more courses of instruction offered at the community college level.

- California Education Code, Section 48800.

Identified Condition

To ensure that K-12 students who were concurrently enrolled in community college courses had the proper approvals to attend class and could benefit from advanced scholastic or vocational work, we selected a sample of 60 K-12 students enrolled in courses offered by the District. We then ascertained if these students received the required approvals (i.e., K-12 school official and District personnel signatures) prior to enrolling in the community college courses.

In our sample of 60 K-12 student participants, we noted that the K-12 application form of one (1) student from City College was not completely filled up and the number of units approved for the semester was not specified. Furthermore, one (1) K-12 supplemental application form of a student from Mission College could not be located.

There appeared to be a lack of monitoring by the District to ensure that each campus retains copies of K-12 approvals and that the application forms are completely filled out. Consequently, there was no evidence to support the assertion that the K-12 students who participated in the community college credit courses were eligible.

Full-Time Equivalent Students (FTES) Impact

0.264 FTES exceptions of the 451.8250 FTES sampled.

Questioned Costs

$1,205.12 (0.264 FTES exceptions x $4,564.83)

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that K-12 supplemental application forms are completely filled out and those forms are retained by each campus in accordance with District policy.

District Response

City College

At City College spot checking of K-12 application forms will ensure that we are collecting complete Supplemental Application forms.

Mission College

At Mission College all documents will be distributed daily for scanning and linking. We will also issue a written procedure to remind all staff on how to handle and process incoming applications. This finding will also be discussed in our staff meetings.

S-11-04 – To Be Arranged Hours (Section 479)

State Criteria or Requirement

TBA Definition: Some courses with regularly scheduled hours of instruction have “hours to be arranged” (TBA) as part of the total contact hours for the course. The TBA portion of the course uses an alternate method for regularly scheduling a credit course for purposes of applying either the Weekly or Daily Census Attendance Accounting Procedures. All students enrolled in a course with TBA hours must be required to fulfill the hours and other conditions for TBA and the student participation is documented.

- To Be Arranged (TBA) Hours Compliance Advice (Legal Advisory 08-02), October 1, 2008
- Second TBA Hours Follow-up Memorandum, June 10, 2009
- TBA Hours Follow-up Memorandum, January 26, 2009
- Education Code Sections 84040 and 88240

Identified Condition

Based on our review of documentation supporting apportionment, we noted that 19 of 30 TBA courses sampled did not have the required attendance roster. The campuses with missing attendance rosters are as follows:

- 9 of 10 TBA courses sampled at City College.
- 10 of 10 TBA courses sampled at Mission College.
- No exceptions were found for 10 items sampled at Trade Tech College.

There appeared to be a lack of procedures to ensure that attendance rosters for TBA courses are distributed to the instructors at the beginning of the class and are returned to Admissions and Records when completed. We were informed by Mission College personnel that attendance rosters were not furnished to the instructors and, accordingly, no such rosters were completed. Total FTES associated with the TBA classes at Mission College were 237.4695 or $1,084,007.90.

Full-Time Equivalent Students (FTES) Impact

65.110 FTES exceptions of the 85.8811 FTES sampled.

Questioned Costs

$297,216.08 (65.110 FTES exceptions x $4,564.83)

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that attendance documentation supporting apportionment for TBA courses is maintained.

District Response

The Los Angeles City College's admissions and records office plans to monitor the receipt of the TBA Rosters going forward. Additional efforts to ensure that TBA Rosters are submitted on time, just like census rosters and exclusion rosters, will be made to maintain proper record-keeping.

Los Angeles Mission College has put in place strategies to ensure that TBA roster distribution occurs routinely at the beginning of every term for TBA sections. An Admissions & Records staff member has been given the responsibility to distribute the rosters in a timely manner. Department chairs and faculty teaching TBA classes will be informed about the requirement to complete and return TBA rosters according to procedures outlined by Admissions & Records. Supervising deans in Academic Affairs will work closely with Admissions & Records staff to ensure collection of the completed TBA rosters.

Los Angeles Trade Tech College will improve communication between the Admissions & Records Office and the Office of Academic Affairs with regard to record-keeping of TBA attendance rosters. This will include the Admissions & Records Office conducting a review for late and/or missing TBA attendance rosters and initiating contact with instructors directly to obtain them. If needed, respective Department Chairs and Deans will be notified to assist with the collection of missing TBA attendance rosters.

(Continued)

S-11-05 – Cooperative Agencies Resources for Education (CARE) (Section 477) – Student Eligibility

State Criteria or Requirement

Under the CARE Audit Guidelines, student must be eligible for and served by EOPS and must document EOPS educational disadvantage and income eligibility. Documentation needed is as follows: (i) EOPS or EOPS/CARE application; (ii) student educational plan; (iii) mutual responsibility contract; and (iv) evidence of three EOPS/CARE counseling contacts per semester.

Under EOPS Implementing Guidelines 56204, for purposes of allocating EOPS funds, conducting audits and valuations, an EOPS student served is a person for whom, at a minimum, the EOPS Program has documentation in the student's file of an EOPS application, Educational Plan and Mutual Responsibility Contract developed pursuant to Section 56222. Each program must have an EOPS Application. The EOPS application should include the signature of the applicant verifying that the information provided is accurate and as appropriate the signature of the designated EOPS staff.

- CARE Audit Guidelines
- Title 5 Regulations, Sections 56204 and 56220
- Title 5 Section 56236
- EOPS Implementing Guidelines 56204
- Education Code Sections 69648, 6948.7 and 71020. Reference: Education Code Sections 69640 through 69655

Condition

During our testwork on eligibility, we noted that 4 of 60 students sampled did not have adequate documentation on file to support eligibility:

- The EOPS/CARE application forms of 2 of 20 students at Los Angeles Trade Tech College were not signed by the EOPS/CARE staff.
- The Student Education Plans of 2 of 20 students at Los Angeles Mission College were not signed by the counselor.
- There were no exceptions noted for the 20 items sampled at City College.

Consequently, there is no evidence that the application forms and the Student educational plan which supports the eligibility of those 4 students were reviewed and approved by College personnel.

Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that the campus maintains the required documentation in accordance with the CDAM and Implementing guidelines.

(Continued)

District Response

At Trade Tech the EOPS Team took the following measures to ensure that all of the EOPS/CARE files are correctly processed and signed:

1. New Procedure

   The EOPS Staff and I met to discuss the policies in regards to new student intake and procedures for proper folder preparation. For each orientation, the counselors are responsible for qualifying or disqualifying the students, signing off on the necessary paperwork, and giving the file to the Director for final review and signature. The Director double-checks paperwork before final approval to the EOPS program. Therefore, the EOPS' portion of the application will be completed before turning the folder over to the CARE staff for their orientation.

At Mission College, staff currently creates labels in the intake documenting process provided to our students. However, per our review, the Data Technician will now include additional information into our labels to capture detail such as phone call follow-ups inclusive of specific dates, and the description of the Counseling services will be documented on the file. Staff will send letters to all students who are not showing up for their scheduled appointments and to remind them of their responsibility to schedule 3 counseling appointments. Counselors' signatures will be reviewed by classified staff.

Additionally, management is moving forward to hire an additional full-time counselor in Spring 2010 who will assist us in accomplishing our goals to better serve our students. LAMC serves a population of 700 students supported by one full-time counselor and counseling volunteers. Workshops have been provided to empower students and encourage them to succeed in their careers. Although we have had about a 42% cut in budget, we are still contributing to 40% of all the graduating students at this campus.

S-11-06 – Extended Opportunity Programs and Services (EOPS) (Section 474) – Counseling and Advisement

State Criteria or Requirement

Each college receiving EOPS funds shall provide counseling and advisement to EOPS eligible students of at least three contact sessions per term for each student as follows:

a) A contact session which combines interview and other interpretation of assessment results to prepare a student's educational plan, and a mutual responsibility contract specifying what programs and services the student shall receive and what the student is expected to accomplish.

b) An in-term contact session to insure the student is succeeding adequately, that programs and services are being provided effectively, and to plan changes as may be needed to enhance student success.

(Continued)

c) A term-end or program exit contact session to assess the success of students in reaching the objectives of that term, the success of the programs and services provided in meeting the student's needs, and to assist students to prepare for the next term of classes, or to make future plans if students are leaving the EOPS Program or the college.

- Education Code Sections 69648, 69648.7 and 71020
- Sections 69640 through 69655 Education Code

Identified Condition

During our testwork to determine District's compliance with student contact requirements, we noted that 2 EOPS students and 2 EOPS/CARE students of 20 students sampled at Los Angeles Mission College did not have adequate documentation that the campuses had at least 3 contact sessions with the 4 students in the term sampled. There were no exceptions noted at 40 students sampled at Trade Tech College and City College.

Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that the campus maintains adequate evidence of compliance with student progress monitoring in accordance with the CDAM and Title V Implementing Guidelines.

District Response

At Mission College, staff currently creates labels in the intake documenting process provided to our students. However, per our review, the Data Technician will now include additional information into our labels to capture detail such as phone call follow-ups inclusive of specific dates, and the description of the counseling services will be documented on the file. Staff will send letters to all students who are not showing up for their scheduled appointments and to remind them of their responsibility to schedule 3 counseling appointments. Counselors' signatures will be reviewed by classified staff.

Additionally, management is moving forward to hire an additional full-time counselor in Spring 2012 who will assist us in accomplishing our goals to better serve our students. LAMC serves a population of 700 students supported by one full-time counselor and counseling volunteers. Workshops have been provided to empower students and encourage them to succeed in their careers. Although we have had about a 42% cut in budget, we are still contributing to 40% of all the graduating students at this campus.

S-11-07 – Disabled Student Programs and Services (DSPS) (Section 475) – Student Educational Contract (SEC)

State Criteria or Requirement

A Student Educational Contract (SEC) is a plan to address specific needs of the student. A SEC must be established upon initiation of DSPS services and shall be reviewed and updated annually for every student with disability participating in DSPS. The SEC specifies those regular and/or special classes and support services identified and agreed upon by both the student and DSPS professional staff as necessary to meet the student's specific educational needs. The SEC shall be reviewed annually by a DSPS professional staff person to determine whether the student has made progress towards his/her stated goals. Whenever possible the SEC shall serve as the educational plan and shall meet the requirements set forth in Section 55525 of this division.

The *Student Educational Contract* (SEC) is designed to serve as an educational contract between the DSPS program and the student. It should contain the following information:

1) An outline of the specific instructional and educational goal(s) of the student with a description of the objectives and activities needed to achieve these goal(s);

2) A measurement of the student's progress in completing the objectives and activities leading to their goal(s); and

3) A list of the services to be provided to the students to accommodate their disability-related educational limitations.

- Sections 67312, 70901, 1st 84850 Education Code
- Sections 67310-12 and 84850 Education Code

Identified Condition

During our testing of 60 student files to determine compliance of the SEC's between the colleges and the students, we noted the following exceptions:

- 12 of 20 students sampled at Los Angeles Mission College and 1 of 20 students sampled at Los Angeles City College did not have an SEC on file.
- The SEC of 11 of 20 students sampled at Los Angeles Trade Tech College did not contain an outline of specific instructional and educational goals for the disabled students.

Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that Student Educational Contracts are completed for each eligible DSPS student and specific instructional and educational goals are established for each disabled student.

District Response

At Trade Tech, the DSPS Coordinator, Counselor and Associate Dean met to discuss the intake process of all new students. They decided that from this point forward, the SEC form will be completely filled out during the first initial meeting (orientation) on or the first individual contact. The DSPS Team is in progress with properly filling out the SEC in each of the students' (enrolled in DSPS for the past three semesters) folders who are missing goals and objectives.

(Continued)

Mission College will continue to monitor all DSP&S students' files to ensure compliance. The college will revise its staffing patterns to coordinate the monitoring of student files. In addition, a job announcement for a DSP&S Supervisor will be posted soon to improve quality of services.

At City College, Student Education Plans are actually kept on a server with software Action Plan It. We have new counselors and in the past, counselors maintained their own student folders, hard copy SEPs. The new SEC will be placed in the student's folder at the end of each semester and will either reference the SEP or be included with the SEC.

S-11-08 – Disabled Student Programs and Services (DSPS) (Section 475) – Student Eligibility

State Criteria or Requirement

A student with disability or a disabled student is a person enrolled at a community college who has a verified impairment which limits one or more major life activities as defined in 28 CFR 35.104, and which imposes an educational limitation as defined in Section 56004. For purposes of reporting to the Chancellor under Section 56030, students with disabilities shall be reported in the categories described in Sections 56032 – 44.

Documentation that students meet these criteria should be available in their files. These files should include but are not limited to the following: (i) a signed application for services and verification of enrollment at the community college; (ii) verification of disability and identification of educational limitation(s) due to disability; (iii) a Student Educational Contract; and (iv) documentation of services provided.

- Section 67312, 70901 1st 84850 Education Code
- Section 67310-12 and 84850 Education Code

Identified Condition

During our testing of 60 DSPS student files to determine compliance with eligibility requirements, we noted the following exceptions:

- 2 of 20 students sampled at Los Angeles Trade Tech College did not have the verification of disability and educational limitation assessment on file.
- 8 of 20 students sampled at Los Angeles City College did not have educational limitation assessment on file.
- 1 of 20 students sampled at Los Angeles City College did not have any documentation of services provided on file.
- No exceptions were noted for the 20 students sampled at Mission College.

Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend that the District strengthen controls to ensure that the colleges maintain adequate documentation to support compliance with the eligibility requirements of CDAM and the Title V Implementing guidelines.

District Response

1. At City College no documentation of Educational Limitations assessment. The Office of Special Services has developed a new Student Educational Contracts (SEC) which includes "documentation that services and accommodations are directly related to the student's educational limitations…" (Title 5 Implementing Guidelines, 56004, Section 111A). The new SEC will be initiated during fall 2011 semester and fully integrated into the DSPS student folders during spring 2012 semester. It has a specific page noting student's educational limitations.

2. At City College no documentation or services provided for one student. This student was a returning student who was already entered into the DEC as a student with a disability but the hard copy file was not checked since he was previously verified and eligible for DSPS services. He received reapplication services (service contacts) but then dropped his classes and did not attend so there was no record of services provided. We have already revised the check-in procedures at the front desk (intake services) to ensure that all service contacts are recorded (whether the student stays enrolled or not) and all returning student files will be checked for verification documentation or re-verified if needed.

At Los Angeles Trade Tech College, the DSPS Coordinator, Counselor and Associate Dean met to discuss the intake process of all new students. They decided that from this point forward, the SEC form will be completely filled out during the first initial meeting (orientation) on or the first individual contact. The DSPS Team is in progress with properly filling out the SEC in each of the students' (enrolled in DSPS) file.

S-11-09 – Preference for Veterans and Qualified Spouses for Federally Funded Qualified Training Programs (Section 478) – Policies and Procedures

State Criteria or Requirement

The Jobs for Veterans Act (JVA), PL 107-288, signed into law on November 7, 2002, requires that there be priority of service for veterans and eligible spouses in any workforce preparation, development, or delivery program or service directly funded in whole or in part, by the U.S. Department of Labor (38 U.S.C. 4215). The Priority of Service regulations, codified at 20 CFR 1010, was issued December 19, 2008 and require qualified job training programs to implement priority of service for veterans and eligible spouses, effective January 19, 2009.

- Public Law 107-288
- Title 38, United States Code, 4215
- Employment Development Department Directive (EDD) Directive Number WSD08-10

Identified Condition

During our review of the policies and procedures and related documentation of the District regarding the Federal Jobs for Veterans Act to determine compliance with the CDAM Section 478 and Public Law 107-288, we noted the following exceptions:

- The current policy and procedure of the District relating to its implementation of the Jobs for Veterans Act did not include a mandatory preference for veterans and eligible spouses on its training programs. Instead the current policy indicated that "LACCD will try to prioritize veterans and eligible spouses, widows and widowers who meet the mandatory priorities."
- The outreach materials used by the District such as flyers and application forms did not include information that conveyed the entitlement granted to eligible applicants and participants regarding preference over nonveterans and access to programs, services and providers.

Questioned Costs

Not applicable

Recommendation for Corrective Action

We recommend that the District revise its existing policies and procedure to mandate priority service to veterans and eligible spouses on DOL-funded training programs. In addition, we recommend that the program materials such as flyers, application forms and catalogs be revised to convey the entitlement granted to eligible applicants and participants regarding preference over nonveterans and access to programs, services and providers.

District Response

The District will assure the provision of veterans' priority of service for all "covered persons" in a manner consistent with the requirements of the Jobs for Veterans Act and the guidance provided herein. All eligible "covered persons" shall receive first priority for all qualified job training programs as offered through the District. Assurance will also be made that veterans' priority of service will be implemented and provided at the point of entry.

We have also made changes to all of our flyers to promote this priority.

THIS PAGE LEFT INTENTIONALLY BLANK

SCHEDULE OF PRIOR YEAR FINDINGS

THIS PAGE LEFT INTENTIONALLY BLANK

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of audit findings and questioned costs and of any other as yet unresolved audit finding from previous years:

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-10-01	Student Financial Aid Cluster: Federal Pell Grant Program – Special Tests and Provisions – Late Return of Title IV funds	We recommend that the District implement stricter controls to ensure compliance with the requirements for timely return of Title IV funds.	Implemented	Not applicable.
F-10-02	Student Financial Aid Cluster: Federal Pell Grant – Special Tests and Provisions – Return to Title IV – Late Payment of Postwithdrawal Disbursements	We recommend that the District implement stricter controls so that postwithdrawal disbursements are made on a timely basis.	Partially implemented See finding F-11-01.	A change in policies and procedures for 2011-12 will centralize post-withdrawal disbursement notices to students. Training is currently being provided to all levels of financial aid staff.
F-10-03	Student Financial Aid Cluster: Federal Pell Grant – Special Test and Provisions – Return to Title IV – Understatement of School Return of Title IV Funds to the Department of Education	We recommend that the District implement stricter controls to ensure that the amount of Title IV funds returned to the Department of Education is accurate.	Implemented	Not applicable.

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-10-04	Student Financial Aid Cluster: Federal Pell Grant – Return to Title IV – Incorrect Calculation of Return to Title IV Funds	We recommend that the District implement stricter controls to ensure that information used in the calculation of Return to Title IV funds is correct and accurate.	Partially Implemented See finding F-11-02	West Los Angeles College has hired additional staff, including a Financial Aid supervisor, to implement controls.
F-10-05	Student Financial Aid Cluster: Federal Pell Grant – Late Notification of Overpayment to Students	We recommend that the District implement stricter controls to ensure students are notified timely of their overpayments.	Implemented	Not applicable.
F-10-06	Student Financial Aid Cluster: Federal Direct Student Loan (Direct Loan) – Special Tests and Provisions – Late Reporting of Overpayments to National Student Loan Database System (NSLDS)	We recommend that the District implement stricter controls to ensure that overpayments are reported to NSLDS on a timely basis.	Partially implemented See finding F-11-03	The District has provided training to college and District financial aid staff and developed a master calendar for R2T4 reporting. These timelines have been developed for 2011-12.

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-10-07	Student Financial Aid Cluster: Federal Direct Student Loan (Direct Loan) – Borrower Data Transmission and Reconciliation – Late Reporting to the Department of Education (DOE)	We recommend that the District strengthen monitoring controls to ensure that loan disbursement information is reported to DOE accurately and on a timely basis.	Implemented	Not applicable
F-10-08	Student Financial Aid Cluster: Federal Pell Grant – Incorrect Pell Grant Disbursements	We recommend that the District strengthen controls to ensure that amount disbursed to students is accurate and correct.	Implemented	Not applicable.
F-10-09	TRIO Cluster: Upward Bound – Allowable Cost and Eligibility of Students Receiving Stipends	We recommend that the District implement stricter controls to ensure that attendance for students receiving stipends under the program is documented properly.	Implemented	Not applicable.
F-10-10	Higher Education – Procurement – Procurement Records	We recommend that the District enhance current policies, procedures, forms, and monitoring controls to ensure that campuses are in compliance with required cost and price analysis requirements.	Implemented	Not applicable.

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
F-10-11	Higher Education – Reporting – Annual Performance Reports	We recommend that the District strengthen policies and procedures to ensure that appropriate individuals involved with the program at each campus are properly monitoring that annual performance reports are timely submitted to the Department of Education.	Implemented	Not applicable.
F-10-12	Career and Technical Education – Basic Grants to States – Equipment Management – Equipment Policies and Procedures	We recommend that the District strengthen policies and procedures to ensure that federal equipment management regulations are followed.	Partially Implemented See finding F-11-06.	The corrective action plans for the colleges that were audited in 2009-10 were fully implemented. The District's Internal Audit Department and Accounting Department conducted training to help ensure compliance with federal equipment management regulations. The period audited predated the training that was held in August 2011. The Colleges have been instructed to perform quarterly self audits to ascertain compliance. Another training session is scheduled for May 2012. The CTE staff works directly with the receiving department to inventory all equipment purchased with Perkins funding.

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				CTE tags are placed on all equipment and documentation is maintained relating to item #1: i – iv above. The CTE Dean will coordinate with all department heads to perform a self audit to ascertain that CTE equipment is properly tagged. Additionally, a self-audit will be performed by the CTE Dean to ensure that the equipment documentation contains all the relevant information. The CTE Dean will continue to work closely with Administrative services to ensure the tags are replaced.
S-10-01	State General Apportionment (Section 424) – Census Reporting	We recommend that the District strengthen its control processes to help ensure that Full-Time Equivalent Students (FTES) per the Student Information System (SIS) report are adequately supported, accurate and complete. The District should strengthen controls to ensure that add slips and other supporting documentation are properly retained.	Partially implemented See finding S-11-01	At Trade Tech, beginning in Fall 2011, a paperless system will be required for instructors to electronically exclude students directly and eliminate the need for a paper form that someone else must enter and file. Admissions & Records Office is moving to scan all student documents for electronic record-keeping and retrieval that will become more accurate and efficient. Admissions & Records Registrar and Dean will keep current on all active positions that enter adds, drops, etc., and perform an independent review to ensure completeness of all required documentation.

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				At Pierce College, Admission & Records, and Academic Affairs will consult with Information Technology on the implementation of a process to track missing census rosters not submitted by faculty in reference to deadlines listed in our accounting process. Pierce College Student Services is working with the Vice President of Academic Affairs and will monitor missing rosters on a timely basis. At Mission, Census Rosters will be implemented by a joint and cooperative effort between Academic Affairs and Admissions as follows: (1) Both Admissions supervisors will have the Admissions and Records Assistants check for and report missing Census Rosters to Academic Affairs once a semester beginning with the Fall 2011 semester; (2) Admissions and Academic Affairs will meet starting with the Fall 2011 semester as follows: (a) once with Academic Affairs administration regarding the LACCD policy on Census Roster guidelines, (b) distribute an email

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				communication or have a meeting with Department Chairs to provided additional guidance to faculty regarding Census Roster procedures and submission protocols, and (c) provide information once per semester to the Council of Instruction on the LACCD procedure on Census Rosters. The expected result of these new corrective actions would be that the attendance/data/names of students on the Census Rosters for each FTE section is more accurate and complete before submission to Admissions.
S-10-02	Students Actively Enrolled (Section 426) – Census Reporting	We recommend that the District strengthen its control processes to help ensure that the number of FTES per the 320 Report is accurate and complete. The District should also strengthen controls to ensure that inactive students were properly excluded from the final census count.	Implemented	Not applicable.

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
S-10-03	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Teacher Minimum Qualifications	We recommend that the District strengthen controls to ensure that documentations supporting instructor qualifications are verified and compared against the District's minimum qualification standards before the courses are scheduled to begin. The review and approval process has to be documented and retained in the District records in accordance with District policy.	Implemented	Not applicable.
S-10-04	Concurrent Enrollment of K-12 Students in Community College Credit Courses (Section 427) – Approvals of Students to Attend Courses	We recommend that the District strengthen existing controls to ensure that K-12 approvals for all student participants are retained by each campus in accordance with District policy.	Partially implemented See finding S-11-03.	The corrective action plans for the colleges that were audited in 2009-10 were fully implemented. The District's Internal Audit Department and Accounting Department conducted training to help ensure compliance to federal equipment management regulations. The period audited predated the training which was held in August 2011. The Colleges have been instructed

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				to perform quarterly self audits to ascertain compliance. Another training session is scheduled for January 2012. Effective with Fall 2010 City College began filing hard copies of student records and retaining them for one year after they have been scanned and indexed. The Admissions and Records office is also now incorporating spot checking of K-12 forms for completion as they are submitted.
S-10-05	Enrollment Fees (Section 432) – Discrepancy Between Enrollment Fee Reported in CCFS 323 and CCFS 311	We recommend that the District strengthen controls to ensure that enrollment fee revenue data reported are accurate.	Implemented	Not applicable.

(Continued)

Prior Year Comments

Summarized below is the current status of all audit management letter comments reported in the prior year's report on audited basic financial statements and of any other as yet unresolved audit finding from previous years:

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-10-01	Financial Statements Reported in Accordance with Government Standards – Capital Assets and General Obligation Bond Program	We recommend that the District work with the Program Manager to design and implement internal controls to ensure that capital assets are being tracked and recorded in a timely manner, reconciled to accounting records, and reported in accordance with U.S. GAAP for governmental organization. Additionally, we recommend that the District strengthen its controls related to the reporting and tracking of potential conflicts of interest. These procedures could include expanding the representations made by vendors and subcontractors to require self-reporting of potential conflicts of interest. Finally, we also recommend that management implement processes and controls to determine that expenses, revenues, and accruals are recorded and disclosed in accordance with U.S. GAAP.	Partially implemented	**Allowability** ***Los Angeles Southwest College*** The Los Angeles Southwest College Sheriff sub-station was not included on the 2008 Measure J ballot bond project list (Measure J project list). Bond counsel has ruled that Proposition 39 does not require the District to restore or reimburse the Bond Building Fund. The existing control to review project approval was further strengthened during fiscal year 2009/2010. For all new projects the College Project Managers (CPM) must submit form PMA-0041 to the Program Manager. Form PMA-0041 cites the project scope to be completed as it relates to the Measure J project list. The scope of the project is confirmed by the Program Construction Department who verifies that the project scope relates to the Measure J project list. The Program Manager's Program Controls team verifies that the project scope relates to the Measure J project list as well as verifying the project budget approved by the campus college president. The final Proposed Board Action (PBA) cannot be signed and presented to the Board of

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				Trustees for consideration until the above procedures are completed. ***Los Angeles Mission College*** Management noted that Measure J funds were used to construct a Sheriff sub-station at Los Angeles Mission College. The project was included on the 2001 Proposition A ballot project list (Proposition A project list), but not on the Measure J project list. As noted above, Bond counsel has ruled that Proposition 39 does not require the District to restore or reimburse the Bond Building Fund. The existing controls for project approval have been strengthened as noted in the above paragraph. **Furniture, Fixtures, and Equipment** The District continues to work with the Program Manager to improve the process of reconciling furniture, fixtures, and equipment (FF&E) purchased with bond proceeds to the actual equipment received and tagged as noted below from Phase I to Phase III. In August 2010, the Program Manager went live using the District's accounting system (SAP) for recording all new FF&E purchases. Subsequent to August 2010, the District reconciles all new FF&E purchases received and entered into SAP with the Program

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				Manager's accounting system. Annam's Systems Corporation was selected and contracted on January 28, 2010 to be the Asset Management consultant to provide the following items: Phase I – Strategic Planning, Phase II – Technology Solution and Implementation and Phase III – Baseline Inventory and Reconciliation. Currently, the Program Manager is performing Phase II and III concurrently in order to expedite the inventory and reconciliation. After completion of the baseline inventory, a complete reconciliation is performed between the various systems. This completed inventory will be reflected in SAP, which will conclude Phase III. Completion of Phase III is expected to be complete by June 30, 2012. Phase II will be on-going as technology implementation and system enhancements occur and is expected to be complete by December 31, 2012. **Form 700** The Inspector General researched the practices of other agencies in reconciling Form 700 filings with contract awards. The best solution appears to be moving to e-filing of Form 700's with a connection to the vendor database. Staff has developed a plan for acquisition and implementation of e-filing Form 700's as

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				part of the annual requirement in March, with the corresponding check against contract authorizations going forward.
FS-10-02	Financial Statements Reported in Accordance with Government Standards – Employee Benefits	We recommend that management strengthen its procedures and internal controls to ensure the following: Supporting documentation for benefit payments is reviewed prior to making disbursements. Reconciliations are performed of employee benefit data to SAP workbench reports. Controls are strengthened to ensure new student workers or employees of the District are timely enrolled in Social Security and the District's various benefit plans.	Partially implemented	For CalPERS medical (Blue Shield, Blue Cross, Kaiser) premium disbursements, our contract requires that each invoice must be paid as it is and it cannot be adjusted because of any updates that had not yet reached CalPERS. Business Services confirms before approving any invoice that the documentation attached to the invoice matches the total being billed. In order to provide satisfactory documentation of corrections performed during the reconciliation process, Business Services will implement a new procedure to take the Workbench reconciliation monthly reports and every month divide them alphabetically. By giving the same staff person responsibility for the same part of the alphabet each month we will create individual spreadsheets that document the changes were completed and did take effect in the next month with adjusted premium billing. Payments for Delta Dental and VSP (vision) are not based upon the workbench reconciliation because they are self-insured plans. These are based on the actual expenses submitted by

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
				employees and already paid by the provider. Before approving these invoices, a sample of reported expenses will be reviewed to insure the accuracy of the invoices we are paying.
FS-10-03	Financial Statements Reported in Accordance with Government Standards – Risk Management	We recommend that management strengthen its procedures and internal controls as follows: The District should implement controls to review the data provided by the third-party servicers for completeness and accuracy before it is provided to the District's actuary. Additionally, the District should strengthen its controls over the retention of documentation that supports open claims and cases so that information will be available for reference to validate the claim information before it is forwarded to the District's actuary. The District should strengthen its controls over the updating of case information to its general liability third-party servicer.	Partially implemented	Management will, on a monthly basis review the third-party servicers Loss Run of all Open Claims for the general liability claims to be sure their data matches what we have in our files. For Workers Compensation files management will review a sample of claims expenses reported every week in the Check Register. A review will be performed monthly to insure that any discrepancies found have been adjusted and are reported on the weekly check register. By doing these monthly reviews for discrepancies in completeness and accuracy, the data the third-party provider captures for the District's actuary will have been performed in advance of the loss run request that is sent to the District's actuary. The District updates general liability claim information in our files every time expenditures are paid out. For open claims all documentation is retained. For closed claims the District follows the retention policy established by the Board of Trustees which is that documents may be destroyed after 3 years.

(Continued)

Finding reference	Finding description	Recommendation	Current status	Explanation if not fully implemented
FS-10-04	Financial Statements Reported in Accordance with Government Standards – Information Technology	We recommend that management continue to implement the planned modules of Security Weaver and create an overall project plan that lays out the roadmap from complete tool implementation, security issue remediation, and implementation of an effective monthly monitoring control. Additionally, management should strengthen the use of the Mercury Quality Center to have all changes to the production environment appropriately documented, approved, and migrated to production. We recommend that these control improvements be completed as soon as possible.	Partially implemented	The SAP IT Team as part of its continuous improvement philosophy, and as was already implementing preaudit, has completed moving IT support access to Security Weaver. HP Quality Center has and remains the key change management tool for tracking configuration and program changes. Workflow notifications regarding staff changes (new hires, terminations, etc.) are now part of the change management process. HP Quality Center continues to capture change management requests and activities as required. Super User Access has been removed where appropriate. The SAP IT Team is recruiting for a full time staff member to be assigned to SAP HP Quality Assurance Position that will further emphasize its commitment to change management controls and processes. And as part of continuous improvement SAP IT is updating its monthly reports to take full advantage of the HP Quality Center Features. In addition to the above The SAP IT Team will be implementing SAP's Government Risk and Compliance application that will add additional check points around Access Control within the next 12 months.